FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

Date of Closing: April 24, 2007

BOND TRANSCRIPT

STEPTOE & JOHNSON PLLC

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

Vincent A. Collins, Esquire
1085 Van Voorhis Road
United Center, Suite 400
Morgantown, WV 26505
(304)598-8161
vincent.collins@steptoe-johnson.com

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. Supplemental Resolution
3. Series 2007 A Loan Agreement
4. Public Service Commission Orders
5. Infrastructure and Jobs Development Council Approval
6. Cross-Receipt for Bonds and Bond Proceeds
7. Direction to Authenticate and Deliver Bonds
8. Specimen Series 2007 A Bond

OPINIONS OF COUNSEL

9. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel, on Series 2007 A Bonds
10. Opinion of Counsel to Issuer
11. Title Opinion

CERTIFICATES

12. General Certificate of Issuer and Attorney

13. Certificate of Engineer, with Schedule B Attached

14. Certificate of Certified Public Accountant

15. Certificate as to Use of Proceeds for Series 2007 A Bonds

DOCUMENTS OF THE ISSUER

16. County Commission Orders on the Creation and Enlargement of District

17. County Commission Orders Appointing Current Boardmembers

18. Oaths of Office of Current Boardmembers

19. Rules of Procedure

20. Reserved

21. Minutes of Current Year Organizational Meeting

22. Minutes on Adoption of Bond Resolution, Supplemental Resolution, and First Draw Resolution

23. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

24. Acceptance of Appointment as Depository Bank

25. Acceptance of Duties as Registrar

26. Certificate of Registration of Bonds

27. Registrar's Agreement

28. USDA Consent to Issuance of Parity Bonds

29. WDA Consent to Issuance of Parity Bonds

30. Environmental Health Services Permit

31. Prior Bonds Resolutions

32. Insurance Certificates

33. Closing Memorandum

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Resolution
Section 1.02 Findings
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01 Authorization of Acquisition and Construction of the Project

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

Section 3.01 Authorization of Bonds
Section 3.02 Terms of Bonds
Section 3.03 Execution of Bonds
Section 3.04 Authentication and Registration
Section 3.05 Negotiability, Transfer and Registration
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds not to be Indebtedness of the Issuer
Section 3.08 Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds
Section 3.09 Delivery of Bonds
Section 3.10 Form of Bond

FORM OF SERIES 2007 A BOND
Section 3.11 Sale of Bonds; Approval and Ratification of Execution of Loan Agreement
Section 3.12 Filing of Amended Schedule

ARTICLE IV
[RESERVED]

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01 Establishment of Funds and Accounts with Depository Bank
Section 5.02 Establishment of Funds and Accounts with Commission
Section 5.03 System Revenues; Flow of Funds

ARTICLE VI
BOND PROCEEDS; DISBURSEMENTS

Section 6.01 Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds
Section 6.02 Disbursements From the Bond Construction Trust Fund

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01 General Covenants of the Issuer
Section 7.02 Bonds not to be Indebtedness of the Issuer
Section 7.03 Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds
Section 7.04 Initial Schedule of Rates and Charges
Section 7.05 Sale of the System
Section 7.06 Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances
Section 7.07 Parity Bonds
Section 7.08 Books; Records and Audit
Section 7.09 Rates
Section 7.10 Operating Budget and Monthly Financial Report
Section 7.11 Engineering Services and Operating Personnel
Section 7.12 No Competing Franchise
Section 7.13 Enforcement of Collections
Section 7.14 No Free Services
Section 7.15 Insurance and Construction Bonds

Section 7.16 Connections
Section 7.17 Completion, Operation and Maintenance of Project; Permits and Orders
Section 7.18 [Reserved]
Section 7.19 Statutory Mortgage Lien
Section 7.20 Compliance with Loan Agreement and Law
Section 7.21 Securities Laws Compliance
Section 7.22 Contracts; Public Releases

ARTICLE VIII
INVESTMENT OF FUNDS; USE OF PROCEEDS

Section 8.01 Investments
Section 8.02 Certificate as to Use of Proceeds; Covenants as to Use of Proceeds

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01 Events of Default
Section 9.02 Remedies
Section 9.03 Appointment of Receiver

ARTICLE X
PAYMENT OF BONDS

Section 10.01 Payment of Bonds

ARTICLE XI
MISCELLANEOUS

Section 11.01 Amendment or Modification of Bond Legislation
Section 11.02 Bond Legislation Constitutes Contract
Section 11.03 Severability of Invalid Provisions
Section 11.04 Headings, Etc.
Section 11.05 Conflicting Provisions Repealed; Prior Resolution
Section 11.06 Covenant of Due Procedure, Etc.
Section 11.07 Public Notice of Proposed Financing
Section 11.08 Effective Date
SIGNATURES
CERTIFICATION
EXHIBIT A

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,014,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A, and Chapter 31, Article 15A, of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Braxton County of said State, duly created pursuant to the Act by The County Commission of Braxton County.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments, improvements and extensions to the existing public waterworks facilities of the Issuer, consisting of extending potable water service to approximately130 water users in the Poplar Ridge area and approximately 140 water users in the Morrison Ridge area within the District existing boundaries in Braxton County, together with all appurtenant facilities (collectively, the "Project") (the existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer financed a portion of the cost of the acquisition and construction of the Project through the issuance of its Series 2005 A Bonds and Series 2005 B Bonds in the amount of $5,085,825 and $84,180 respectively and from the proceeds of a $1,500,000 Small Cities Block Grant

D. The Issuer intends to permanently finance a portion of the remaining costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Authority, which administers the West Virginia Infrastructure Fund pursuant to the Act.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, in the total aggregate principal amount of not more than $1,014,000 in a single series, being the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007 A Bonds"), to permanently finance (i) a portion of the costs of acquisition and construction of the Project and (ii) pay costs of issuance of the Series 2007 A Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2007 A Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying

agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2007 A Bonds be sold to the Authority pursuant to the terms and provisions of a Loan Agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), for the Series 2007 A Bonds, in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the (i) Water Revenue Bonds, Series 1996 A (United States Department of Agriculture), dated June 12, 1996, issued in the original aggregate principal amount of $240,000, (the "Series 1996 A Bonds"); (ii) Water Refunding Revenue Bonds, Series 1996 B (United States Department of Agriculture), dated June 12, 1996, issued in the original aggregate principal amount of $70,000, (the "Series 1996 B Bonds"); (iii) Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), dated September 24, 1998, issued in the original aggregate principal amount of $890,000, (the "Series 1998 B Bonds");(iv) Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, issued in the original aggregate principal amount of $2,240,000 (the "Series 2001 Bonds"); (v) Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated December 8, 2005, issued in the original aggregate principal amount of $5,085,825; and (vi) Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority), dated December 8, 2005, issued in the original aggregate principal amount of $84,180. The Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1998 B Bonds, the Series 2001 Bonds, the Series 2005 A Bonds and the Series 2005 B Bonds are hereinafter collectively referred to as the "Prior Bonds".

Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are

secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolution.

I. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2007 A Bonds or such final order will not be subject to appeal.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Series 2007 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, and Chapter 31, Article 15A 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 and Registered Owner of the Series 2007 A Bonds,

or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for all or a portion of the proceeds of the Series 2007 A Bonds from the Authority.

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

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

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931,

as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

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

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

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

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

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

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

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means Flatwoods-Canoe Run Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2007 A Bonds the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2007 A Bonds Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein after 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, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Account" means the Operation and Maintenance Account previously established by the Prior Resolution and continued hereby.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2007 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Issuer's Series 1996 A Bonds, Series 1996 B Bonds, Series 1998 B Bonds, Series 2001 Bonds, Series 2005 A Bonds, and Series 2005 B Bonds, as described in Section 1.02H hereof.

"Prior Resolution" means, collectively, the resolutions adopted by the Issuer, as supplemented by the supplemental resolutions of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02(B) hereof.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the

maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

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

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolution as the Renewal and Replacement Account and the Depreciation Fund and renamed and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2007 A Bonds and Prior Bonds.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2007 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund previously established by the Prior Resolution and continued hereby.

"RUS Bonds" means the Series 1996 A Bonds and the Series 1996 B Bonds.

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

"Series 1996 A Bonds" means the Issuer's Water Revenue Bonds, Series 1996 A (United States Department of Agriculture) dated June 12, 1996 issued in the original aggregate principal amount of $240,000.

"Series 1996 B Bonds" means the Issuer's Water Refunding Revenue Bonds, Series 1996 B (United States Department of Agriculture) dated June 12, 1996 issued in the original aggregate principal amount of $70,000.

"Series 1998 B Bonds" means the Issuer's Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund) dated September 24, 1998 issued in the original aggregate principal amount of $890,000.

"Series 2001 Bonds" means the Issuer's Water Revenue Bonds, Series 2001 dated October 18, 2001 issued in the original aggregate principal amount of $2,240,000.

"Series 2005 A Bonds" means the Issuer's Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) dated December 8, 2005 issued in the original aggregate principal amount of $5,085,825.

"Series 2005 B Bonds" means the Issuer's Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority) dated December 8, 2005 issued in the original aggregate principal amount of $84,180.

"Series 2007 A Bonds" means the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) authorized to be issued hereby.

"Series 2007 A Bonds Construction Trust Fund" means the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account established pursuant to Section 5.02 hereof.

"Series 2007 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2007 A Bonds in the then current or any succeeding year.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 2007 A Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2007 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2007 A Bonds, and not so included, may be included in another Supplemental Resolution.

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

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND FINANCING OF ARREARRAGES

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the remaining portion of the Project, at an estimated cost of not to exceed $1,014,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and has entered into or will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated not to exceed $7,599,825 , of which $1,014,000 will be obtained from the proceeds of the Series 2007 A Bonds, $5,085,825 was obtained from the proceeds of the Series 2005 A Bonds, $84,180 was obtained from the proceeds of the Series 2005 B Bonds and $1,500,000 was obtained from a Small Cities Block Grant.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest, if any, on the Series 2007 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2007 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued in a single series, designated as "Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), "in the principal amount of not more than $1,014,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds, Series 2007 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2007 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2007 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2007 A Bonds, if any, shall be paid by check or draft of the Paying Agent, or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2007 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2007 A Bonds. The Series 2007 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2007 A 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 the Series 2007 A Bonds shall cease to be such officer of the Issuer before the Series 2007 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2007 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2007 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on the Series 2007 A Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2007 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2007 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2007 A Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2007 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2007 A 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 canceled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2007 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2007 A 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 the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured by a first lien on the Net Revenues derived from the System on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2007 A Bonds and the Prior Bonds, and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate, register, and deliver the Series 2007 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2007 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2007 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2007 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $1,014,000

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2007, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($1,014,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the

"System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2007, and a Supplemental Resolution duly adopted by the Issuer on _____, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS WITH THE ISSUER'S: (1) WATER REVENUE BONDS, SERIES 1996 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000 (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000 (THE "SERIES 1996 B BONDS"); (3) WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 24, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $890,000 (THE "SERIES 1998 B BONDS"); (4) WATER REVENUE BONDS, SERIES 2001 (BLUEFIELD AREA EXTENSION PROJECT), DATED OCTOBER 18, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,240,000 (THE "SERIES 2001 BONDS"); (5) WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 8, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $5,085,825 (THE "SERIES 2005 A BONDS"); AND (6) WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED DECEMBER 8, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $84,180 (THE "SERIES 2005 B BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which

may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any

proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wet lands to produce an agriculture commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net 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 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2007 A Bond described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2007 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolution) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

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

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

(3) Renewal and Replacement Fund (resulting from the combination with the Renewal and Replacement Account and the Depreciation Fund established by the Prior Resolution); and

(4) Series 2007 A Bonds Construction Trust Fund.

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

(1) Series 2007 A Bonds Sinking Fund; and

(2) Series 2007 A Bonds Reserve Account.

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

(1) The Issuer shall first, each month, transfer from the Revenue Fund to the Operation and Maintenance Account the amounts necessary to pay the Operating Expenses of the System.

(2) The Issuer shall next, each month, transfer from the Revenue Fund and make the interest payments on the Prior Bonds in the amounts and on the dates required by the Prior Resolution.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously (i) make the principal payments of the Prior Bonds in the amounts and on the dates required by the Prior Resolution; and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, remit to the Commission for deposit in the Series 2007 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2007 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously (i) make the reserve account payments of the Prior Bonds in the amounts and on the dates required by the Prior Resolution; and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, remit to the Commission for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(5) The Issuer shall next, each month, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, the moneys remaining in the Revenue Fund until there has been accumulated therein the aggregate sum of $34,000.00 and so long as the Series 1998 B Bonds, Series 2001 Bonds, Series 2005 A Bonds, Series 2005 B Bonds and the Series 2007 A Bonds are

outstanding, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Accounts. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvest in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose of the System.

Monies in the Series 2007 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2007 A Bonds, as the same shall become due. Monies in the Series 2007 A Bonds Reserve Account shall, during construction of the Project, be deposited in the Series 2007 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be used only for the purposes of paying principal of and interest, if any, on the Series 2007 A Bonds, as the same shall come due, when other monies in the Series 2007 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2007 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2007 A Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2007 A Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2007 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2007 A Bonds Sinking Fund when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2007 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2007 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2007 A Bonds Sinking Funds and the Series 2007 A Bonds Reserve Accounts shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2007 A Bonds, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 2007 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Series 2007 A Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2007 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2007 A Bonds, there shall first be deposited with the Commission in the Series 2007 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2007 A Bonds for the period commencing on the date of issuance of the Series 2007 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2007 A Bonds, there shall be deposited with the Commission in the Series 2007 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2007 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2007 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2007 A Bonds Construction Trust Fund and applied solely to payment of the costs of the acquisition and construction of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2007 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2007 A Bonds shall be applied as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2007 A Bonds Construction Trust Fund shall be made only after submission to and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, monies in the Series 2007 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2007 A Bonds within 3 years of the date of issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be nor 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 Bond Legislation. No Holder or Holders of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds shall be secured by a first lien on such Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2007 A Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges . The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Public Service Commission of West Virginia Recommended Decision dated January 7, 2005 and Final Order of the Public Service Commission of West Virginia entered November 3, 2005, in Case No. 04-0233-PWD-CN.

So long as the Series 2007 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2007 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System . So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolution. Additionally, so long as the Series 2007 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2007 A Bonds, immediately be remitted to the Commission for deposit in the Series 2007 A Bonds Sinking Funds, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2007 A Bonds. Any balance remaining after the payment of the Series 2007 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into such account by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2007 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2007 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, and source of and security for payment from such revenues and in all other respects, to the Series 2007 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2007 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be

issued after the issuance of the Series 2007 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2007 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of additions extensions, improvements or betterments to the System or refunding any outstanding Bonds, or both such purposes.

So long as the RUS Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the RUS Bonds representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the RUS Bonds are no longer outstanding, the following parity requirement shall be met:

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period herein above referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All 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 Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2007 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2007 A Bonds.

No Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation,

shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

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

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2007 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2007 A Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2007 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

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

Section 7.09. Rates. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System shall 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 the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of

rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2007 A Bonds Reserve Accounts and the reserve accounts for obligations on a parity with the Series 2007 A Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall within 30 days of adoption thereof mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and on behalf of such Holder of any Bonds.

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

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

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

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

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections . The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such

rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2007 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such

coverage are satisfactory to the Authority and the Council. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion, Operation and Maintenance of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer shall take all steps to properly operate and maintain the System and make the necessary replacements due to normal wear and tear so long as the Series 2007 A Bonds are outstanding.

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2007 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [RESERVED].

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2007 A Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law . The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer shall provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts; Public Releases . A. The Issuer shall, simultaneously with the delivery of the Series 2007 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds held in "contingency" as set forth in the schedule attached to the Certificate of Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2007 A Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2007 A Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to the Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2007 A Bonds as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2007 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's

use of the proceeds of the Series 2007 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code; issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2007 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2007 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2007 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2007 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2007 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, or Paying Agent, or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the holders of the Series 2007 A Bonds shall be on a parity with the of the holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the

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

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

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

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

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

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2007 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2007 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2007 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2007 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2007 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2007 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2007 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2007 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2007 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolution. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Bond Legislation and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing . Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Flatwoods-Canoe Run Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2007 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2007 A Bonds authorized hereby;

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

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

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

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

Adopted this 23rd day of April, 2007.

Johnnie J. James
Chairman

04.19.07
292120.00001

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 23rd day of April, 2007.

Dated: April 24, 2007

[SEAL]

Secretary

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE BONDS; AUTHORIZING AND APPROVING THE SALE OF THE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the Public Service Board (the "Governing Body") of Flatwoods-Canoe Run Public Service District (the "Issuer") has duly and officially adopted a bond resolution, on April 23, 2007 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,014,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING

EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer (the "Series 2007 A Bonds"), in the principal amount not to exceed $1,014,000, and has authorized the execution and delivery of the loan agreement relating to the Series 2007 A Bonds, including all schedules and exhibits attached thereto by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"),(the "Loan Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale prices and other terms of the Series 2007 A Bonds should be established by a supplemental resolution pertaining to the Series 2007 A Bonds; and that other matters relating to the Series 2007 A Bonds be herein provided for;

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

WHEREAS, the Series 2007 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal payment dates, the sale price and other terms of the Series 2007 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2007 A Bonds be herein provided for that the;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

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

Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,014,000. The Series 2007 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2047, and shall bear no interest. The principal of the Series 2007 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing March 1, 2047, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2007 A Bonds.

Section 2. All other provisions relating to the Series 2007 A Bonds and the text of the Series 2007 A Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, including all schedules and exhibits attached thereto, copies of which are incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Series 2007 A Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2007 A Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2007 A Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2007 A Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Bank of Gassaway, Gassaway, West Virginia to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2007 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2007 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2007 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2007 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2007 A Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2007 A Bonds Construction Trust Fund for payment of the costs of the acquisition and construction of the Project, including, without limitation, costs of issuance of the Series 2007 A Bonds and related costs.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2007 A Bonds may be delivered on or about April 24, 2007, to the Authority pursuant to the Loan Agreement.

Section 11. The acquisition and construction of the Project and the financing thereof, in part with proceeds of the Series 2007 A Bonds, is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Series 2007 A Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2007 A Bonds Sinking Funds, including the Series 2007 A Bonds Reserve Accounts therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairman is hereby authorized and directed to execute and deliver all such contracts.

Section 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Blank]

Adopted this 23rd day of April, 2007.

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Flatwoods-Canoe Run Public Service District on this 23rd day of April 2007.

Dated: April 24, 2007.

[SEAL]

Secretary

04.06.07
292120.00001

IC-1
(11/01/04)

LOAN AGREEMENT

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

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together,

as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

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

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

ARTICLE I

Definitions

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

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

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

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

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

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

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

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime

contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

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

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

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

ARTICLE III

Conditions to Loan;
Issuance of Local Bonds

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

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

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

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

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

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

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

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

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount

equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

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

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

(xiv) That the proceeds of the Local Bonds, advanced from time to time, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and the Council, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

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

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

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the

Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

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

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

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

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

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

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

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

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

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

(ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or

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

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

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

(SEAL)

By: _____
Its: Chairman
Date: April 24, 2007

Attest:

_____
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: _____
Its: Director
Date: April 24, 2007

Attest:

_____
Its: Secretary-Treasurer

{C1192164.1}

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

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

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

[1]If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____,

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

WITNESS my signature and seal on this ____ day of _____, ___.

[SEAL]

_____

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

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

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

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

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
Name of Bond Issue(s) _____
Type of Project _____ **Water** _____ **Wastewater**
Fiscal Year _____ **Report Month** _____

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

_____
Name of Person Completing Form

_____
Address

_____
Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of $1,200 are anticipated to be received for the year, each month the base would be increased by $100 ($1,200/12). This is the incremental amount for the Budget Year-to-Date column.

Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of $900 are anticipated to be incurred for the year, each month the base would be increased by $75 ($900/12). This is the incremental amount for the Budget Year-to-Date column.

Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.

Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are $1,200, then $30 (2.5% of $1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

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

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:	
Interest	$
Principal	$
Total:	$
Reserve Account:	$

Witness my signature this ___ day of_____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds $1,014,000
Purchase Price of Local Bonds $1,014,000

The Local Bonds shall bear no interest. Commencing September 1, 2008, principal on the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

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

(i) Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000, currently held by Rural Utilities Service (the "Series 1996 A Bonds");

(ii) Flatwoods-Canoe Run Public Service District Water Refunding Revenue Bonds, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000, currently held by Rural Utilities Service (the "Series 1996 B Bonds");

(iii) Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), dated September

24, 1998, issued in the original aggregate principal amount of $890,000, currently held by the West Virginia Water Development Authority (the "Series 1998 B Bonds");

(iv) Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, issued in the original aggregate principal amount of $2,240,000 (the "Series 2001 Bonds");

(v) Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated December 8, 2005, issued in the original aggregate principal amount of $5,085,825; and

(vi) Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority), dated December 8, 2005, issued in the original aggregate principal amount of $84,180.

SCHEDULE Y

$1,014,000

Flatwoods Canoe Run PSD

0% Interest Rate; 40 Years from Closing Date

Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	6,542.00	-	6,542.00
12/01/2008	6,542.00	-	6,542.00
03/01/2009	6,542.00	-	6,542.00
06/01/2009	6,542.00	-	6,542.00
09/01/2009	6,542.00	-	6,542.00
12/01/2009	6,542.00	-	6,542.00
03/01/2010	6,542.00	-	6,542.00
06/01/2010	6,542.00	-	6,542.00
09/01/2010	6,542.00	-	6,542.00
12/01/2010	6,542.00	-	6,542.00
03/01/2011	6,542.00	-	6,542.00
06/01/2011	6,542.00	-	6,542.00
09/01/2011	6,542.00	-	6,542.00
12/01/2011	6,542.00	-	6,542.00
03/01/2012	6,542.00	-	6,542.00
06/01/2012	6,542.00	-	6,542.00
09/01/2012	6,542.00	-	6,542.00
12/01/2012	6,542.00	-	6,542.00
03/01/2013	6,542.00	-	6,542.00
06/01/2013	6,542.00	-	6,542.00
09/01/2013	6,542.00	-	6,542.00
12/01/2013	6,542.00	-	6,542.00
03/01/2014	6,542.00	-	6,542.00
06/01/2014	6,542.00	-	6,542.00
09/01/2014	6,542.00	-	6,542.00
12/01/2014	6,542.00	-	6,542.00
03/01/2015	6,542.00	-	6,542.00
06/01/2015	6,542.00	-	6,542.00
09/01/2015	6,542.00	-	6,542.00
12/01/2015	6,542.00	-	6,542.00
03/01/2016	6,542.00	-	6,542.00
06/01/2016	6,542.00	-	6,542.00
09/01/2016	6,542.00	-	6,542.00
12/01/2016	6,542.00	-	6,542.00
03/01/2017	6,542.00	-	6,542.00
06/01/2017	6,542.00	-	6,542.00
09/01/2017	6,542.00	-	6,542.00
12/01/2017	6,542.00	-	6,542.00
03/01/2018	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2018	6,542.00	-	6,542.00
09/01/2018	6,542.00	-	6,542.00
12/01/2018	6,542.00	-	6,542.00
03/01/2019	6,542.00	-	6,542.00
06/01/2019	6,542.00	-	6,542.00
09/01/2019	6,542.00	-	6,542.00
12/01/2019	6,542.00	-	6,542.00
03/01/2020	6,542.00	-	6,542.00
06/01/2020	6,542.00	-	6,542.00
09/01/2020	6,542.00	-	6,542.00
12/01/2020	6,542.00	-	6,542.00
03/01/2021	6,542.00	-	6,542.00
06/01/2021	6,542.00	-	6,542.00
09/01/2021	6,542.00	-	6,542.00
12/01/2021	6,542.00	-	6,542.00
03/01/2022	6,542.00	-	6,542.00
06/01/2022	6,542.00	-	6,542.00
09/01/2022	6,542.00	-	6,542.00
12/01/2022	6,542.00	-	6,542.00
03/01/2023	6,542.00	-	6,542.00
06/01/2023	6,542.00	-	6,542.00
09/01/2023	6,542.00	-	6,542.00
12/01/2023	6,542.00	-	6,542.00
03/01/2024	6,542.00	-	6,542.00
06/01/2024	6,542.00	-	6,542.00
09/01/2024	6,542.00	-	6,542.00
12/01/2024	6,542.00	-	6,542.00
03/01/2025	6,542.00	-	6,542.00
06/01/2025	6,542.00	-	6,542.00
09/01/2025	6,542.00	-	6,542.00
12/01/2025	6,542.00	-	6,542.00
03/01/2026	6,542.00	-	6,542.00
06/01/2026	6,542.00	-	6,542.00
09/01/2026	6,542.00	-	6,542.00
12/01/2026	6,542.00	-	6,542.00
03/01/2027	6,542.00	-	6,542.00
06/01/2027	6,542.00	-	6,542.00
09/01/2027	6,542.00	-	6,542.00
12/01/2027	6,542.00	-	6,542.00
03/01/2028	6,542.00	-	6,542.00
06/01/2028	6,542.00	-	6,542.00
09/01/2028	6,542.00	-	6,542.00
12/01/2028	6,542.00	-	6,542.00
03/01/2029	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2029	6,542.00	-	6,542.00
09/01/2029	6,542.00	-	6,542.00
12/01/2029	6,542.00	-	6,542.00
03/01/2030	6,542.00	-	6,542.00
06/01/2030	6,542.00	-	6,542.00
09/01/2030	6,542.00	-	6,542.00
12/01/2030	6,542.00	-	6,542.00
03/01/2031	6,542.00	-	6,542.00
06/01/2031	6,542.00	-	6,542.00
09/01/2031	6,542.00	-	6,542.00
12/01/2031	6,542.00	-	6,542.00
03/01/2032	6,542.00	-	6,542.00
06/01/2032	6,542.00	-	6,542.00
09/01/2032	6,542.00	-	6,542.00
12/01/2032	6,542.00	-	6,542.00
03/01/2033	6,542.00	-	6,542.00
06/01/2033	6,542.00	-	6,542.00
09/01/2033	6,542.00	-	6,542.00
12/01/2033	6,542.00	-	6,542.00
03/01/2034	6,542.00	-	6,542.00
06/01/2034	6,542.00	-	6,542.00
09/01/2034	6,542.00	-	6,542.00
12/01/2034	6,542.00	-	6,542.00
03/01/2035	6,542.00	-	6,542.00
06/01/2035	6,542.00	-	6,542.00
09/01/2035	6,542.00	-	6,542.00
12/01/2035	6,542.00	-	6,542.00
03/01/2036	6,542.00	-	6,542.00
06/01/2036	6,542.00	-	6,542.00
09/01/2036	6,542.00	-	6,542.00
12/01/2036	6,542.00	-	6,542.00
03/01/2037	6,542.00	-	6,542.00
06/01/2037	6,542.00	-	6,542.00
09/01/2037	6,542.00	-	6,542.00
12/01/2037	6,542.00	-	6,542.00
03/01/2038	6,542.00	-	6,542.00
06/01/2038	6,542.00	-	6,542.00
09/01/2038	6,542.00	-	6,542.00
12/01/2038	6,542.00	-	6,542.00
03/01/2039	6,542.00	-	6,542.00
06/01/2039	6,542.00	-	6,542.00
09/01/2039	6,542.00	-	6,542.00
12/01/2039	6,542.00	-	6,542.00
03/01/2040	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2040	6,542.00	-	6,542.00
09/01/2040	6,542.00	-	6,542.00
12/01/2040	6,542.00	-	6,542.00
03/01/2041	6,542.00	-	6,542.00
06/01/2041	6,542.00	-	6,542.00
09/01/2041	6,542.00	-	6,542.00
12/01/2041	6,542.00	-	6,542.00
03/01/2042	6,542.00	-	6,542.00
06/01/2042	6,542.00	-	6,542.00
09/01/2042	6,542.00	-	6,542.00
12/01/2042	6,542.00	-	6,542.00
03/01/2043	6,542.00	-	6,542.00
06/01/2043	6,542.00	-	6,542.00
09/01/2043	6,542.00	-	6,542.00
12/01/2043	6,542.00	-	6,542.00
03/01/2044	6,542.00	-	6,542.00
06/01/2044	6,542.00	-	6,542.00
09/01/2044	6,542.00	-	6,542.00
12/01/2044	6,541.00	-	6,541.00
03/01/2045	6,541.00	-	6,541.00
06/01/2045	6,541.00	-	6,541.00
09/01/2045	6,541.00	-	6,541.00
12/01/2045	6,541.00	-	6,541.00
03/01/2046	6,541.00	-	6,541.00
06/01/2046	6,541.00	-	6,541.00
09/01/2046	6,541.00	-	6,541.00
12/01/2046	6,541.00	-	6,541.00
03/01/2047	6,541.00	-	6,541.00
Total	**$1,014,000.00**	-	**$1,014,000.00**

Yield Statistics

Bond Year Dollars	$20,891.04
Average Life	20.603 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	8.92E-11
Bond Yield for Arbitrage Purposes	8.92E-11
All Inclusive Cost (AIC)	8.92E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.603 Years

SCHEDULE Z

None.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 18th day of April, 2007.

CASE NO. 04-0233-PWD-CN (REOPENED)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT,
Application for a certificate of public convenience and necessity
to expand project scope to include additional customers.

COMMISSION ORDER

On February 13, 2004, Flatwoods-Canoe Run Public Service District (District) filed an application with the Commission for a certificate of public convenience and necessity to extend potable water service to users within the District's Poplar Ridge and Morrison Ridge areas in Braxton County. The project cost of $6,119,975 was to be funded by a $1,500,000 Housing and Urban Development (HUD) Grant and two West Virginia Infrastructure and Jobs Development Council (WVIJDC) loans of $3,143,000 and $1,476,000. By Final Order issued on January 27, 2005, the Commission approved the District's certificate application, project financing, project scope, and rates and charges.

On July 22, 2005, the District filed a petition to reopen the certificate case for approval to reduce the scope of the project and increase the WVIJDC loan amount because bids received on the project exceeded estimated costs. Accordingly, the District proposed reducing the number of customers to be served and increasing the WVIJDC loan amount by $465,850, from $4,691,975 to $5,085,825. The District represented that there would be no rate impact as a result of the changes in project scope and funding. By Final Order issued on November 3, 2005, the Commission approved the District's petition to reopen its certificate case, approved the District's plans to reduce the scope of the project and to increase the WVIJDC loan amount.

On April 4, 2007, the District filed a second petition to reopen its certificate case for approval of additional funding to expand the project scope by including additional customers. The project expansion extends water service to customers initially included in the project by the Commission's January 27, 2005, approval of the District's certificate application. The customers were later excluded by the Commission's November 3, 2005, approval of the District petition to reopen and to reduce the number of customers served by the project.

In its petition to reopen, the District states that it will fund the increased project cost with a

WVIJDC loan of $1,014,000 for 40 years at 0% interest. The District has submitted with its petition a letter of commitment for the additional WVIJDC funding. The District has scheduled an April 18, 2007, bond closing for the additional WVIJDC loan and, therefore, requests an expedited review of its petition to reopen.

On April 16, 2007, Commission Staff (Staff) filed an Initial and Final Joint Staff Memorandum recommending that the petition to reopen be granted. In addition, Staff recommended approval of (1) the increased project cost in the amount of $7,599,825; (2) the proposed WVIJDC loan of $1,014,000 at 0% interest for 40 years; and (3) the expansion of the project scope to include additional customers. Staff provided a cash flow analysis of the revised financing, which indicated that the District would still have an annual surplus. Staff noted that District does not propose a change in rates from those previously approved in the January 27, 2005 Final Order and that the District's Certified Public Accountant has provided an affidavit certifying that fact.

DISCUSSION

The Commission shall approve (1) the increased project cost of $7,599,825; (2) the (WVIJDC) loan of $1,014,000 at 0% interest for 40 years; and (3) the expansion of the project scope to include additional customers.

FINDINGS OF FACT

1. On April 4, 2007, the District filed a petition to reopen this certificate case for approval of additional funding to expand the project scope by including additional customers.

2. On April 16, 2007, Staff filed its Initial and Final Joint Staff Memorandum recommending that the petition to reopen be granted. In addition, Staff recommended the approval of the increased project cost, additional funding, and the expansion of the project scope.

3. The WVIJDC loan and expansion of the project scope will not impact the District's previously approved rates.

CONCLUSIONS OF LAW

It is reasonable to approve (1) the increased project cost of $7,599,825; (2) the loan of $1,014,000, at 0% interest for 40 years; and (3) the expansion of the project scope to include additional customers.

ORDER

IT IS THEREFORE ORDERED that the Flatwoods-Canoe Run Public Service District's increased project cost of $7,599,825 is hereby approved.

IT IS FURTHER ORDERED that the WVIJDC loan of $1,014,000, at 0% interest for 40 years is hereby approved.

IT IS FURTHER ORDERED that except as amended herein, the Final Decision issued January 27, 2005, including the rates and charges approved therein, shall remain in full force and effect.

IT IS FURTHER ORDERED that if there are changes in the plan, scope, or financing for the project that affect customer rates, the District shall request that the case be reopened and seek approval from the Commission for the changes.

IT IS FURTHER ORDERED that if there are changes in project costs that do not affect rates, the District does not need to seek reopening and approval; however, the District must file an affidavit signed by a Certified Public Accountant certifying that rates are not affected.

IT IS FURTHER ORDERED that upon entry of this Order this case shall be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this Order upon all parties of record by United States First Class Mail and by facsimile transmission and upon Commission Staff by hand delivery.

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

MEB/las
040233c.wpd

040233comd110305.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 3rd day of November, 2005.

CASE NO. 04-0233-PWD-CN (REOPENED)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
a public utility, Braxton County.

Application for a Certificate of Convenience and Necessity to extend potable water service to approximately 130 users in the Poplar Ridge and approximately 140 users in the Morrison Ridge areas within the District's existing boundaries in Braxton County.

COMMISSION ORDER

By Recommended Decision issued January 7, 2005, which became a final order of the Commission on January 27, 2005, the Public Service Commission granted an application filed by Flatwoods-Canoe Run Public Service District (District) under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County. The Commission further approved financing for the project, at an amount not to exceed $6,119,975, to be funded by two Infrastructure and Jobs Development Council (Infrastructure Council) loans in the amounts not to exceed $3,143,000, and $1,476,975, respectively, for a total amount not to exceed $4,619,975, from the Infrastructure Council, payable over 38 years without interest or administrative fees, and a $1,500,000, HUD Grant.

The Commission required the District to operate under the rates approved in Case No. 04-1072-PWD-42A, until the project was certified by its engineer as substantially completed. The Commission directed that after the District had operated for six (6) months under the rates approved in Case No. 04-1072-PWD-42A, it would apply for a rate review to determine whether a rate adjustment is required due to the project. The Commission set forth certain guidelines for filings in the future rate case.

Finally, the Commission ordered that, should the scope or the financing for the project change for any reason, the District was to obtain separate Commission approval of any such changes prior to commencing construction of the project.

On July 22, 2005, the District filed a Petition to Reopen this proceeding. The District explained that the bids received for the two extensions exceeded estimated costs. Upon review of the bid overruns, the District determined that the scope of the project should be reduced to make the project financially feasible. Accordingly, the District proposed to reduce the number of new customers to be served from 270 to 207. Further, the District proposed to increase the loan amount from the Infrastructure Council by $465,850, from $4,691,975, to $5,085,825. The District represented that there would be no rate impact resulting from the reduction in scope and the increase in loan amount. The District attached a cash flow analysis to its petition in support of such representation.

On August 26, 2005, Commission Staff (Staff) filed an Initial Joint Staff Memorandum indicating that Staff had requested additional information from the District, and recommending referral of this matter to the Division Administrative Law Judges (ALJ Division).

On September 8, 2005, the Commission referred the case to the ALJ Division.

On October 6, 2005, Staff filed its Final Joint Staff Memorandum recommending that the Commission rescind its referral order and grant the District's petition to reopen. Staff noted that the District's proposal to reduce the project scope will reduce the customers to be served from 363 to 207. Staff explained that the 363 customer number was a best case scenario under the original project plans. Further, the District will eliminate its plans to replace 600 water meters. The District has obtained user agreements from the 207 customers. Incremental operation and maintenance costs will not change due to the reduction in scope. Savings resulting from reducing the number of customers to be served will offset increased meter maintenance costs.

Staff had reviewed the revised Infrastructure commitment letter confirming that the total loan will be $5,085,825. Staff's review of the District's revised cash flow analysis indicated that a rate increase is not necessary. The District will have a cash surplus of $17,646, and a debt coverage ration of 148.89%. Staff opined that public notice of the project changes is not necessary because there is no rate impact.

On October 11, 2005, the District filed a letter stating its agreement with the October 6, 2005, Staff memorandum.

Public Service Commission
of West Virginia
Charleston

DISCUSSION

Upon consideration of all of the foregoing, the Commission finds that it is reasonable and appropriate to rescind its September 8, 2005, referral to the ALJ Division; reopen this certificate proceeding; and approve the proposed changes to project funding and scope. As there is no rate impact associated with this petition to reopen, publication requirements may be waived. The post-construction requirements of this proceeding as set forth in the January 27, 2005, final order shall remain in full force and effect, and are repeated in the ordering paragraphs of this Order, for clarity.

FINDINGS OF FACT

1. By final order of January 27, 2005, the Public Service Commission granted an application filed by Flatwoods-Canoe Run Public Service District (District) under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County.

2. The January 27, 2005, final order also approved financing for the project, at an amount not to exceed $6,119,975, to be funded by two Infrastructure Council loans in the amounts not to exceed $3,143,000 and $1,476,975, respectively, for a total amount not to exceed $4,619,975, from the Infrastructure Council, payable over 38 years without interest or administrative fees, and a $1,500,000 HUD Grant.

3. The Commission required the District to operate under the rates approved in Case No. 04-1072-PWD-42A, until the project was certified by its engineer as substantially completed. The Commission directed that after the District had operated for six (6) months under the rates approved in Case No. 04-1072-PWD-42A, it would apply for a rate review to determine whether a rate adjustment is required due to the project. The Commission set forth certain guidelines for filings in the future rate case.

4. On July 22, 2005, the District filed a Petition to Reopen this proceeding. The District explained that the bids received for the two extensions exceeded estimated costs.

5. Upon review of the bid overruns, the District determined that the scope of the project should be reduced to make the project financially feasible. Accordingly, the District proposed to reduce the number of new customers to be served from 270 to 207.

Further, the District proposed to increase the loan amount from the Infrastructure Council by $465,850, from $4,691,975, to $5,085,825.

6. The District represented that there would be no rate impact resulting from the reduction in scope and the increase in loan amount. The District attached a cash flow analysis to its petition in support of such representation.

7. On October 6, 2005, Staff filed its Final Joint Staff Memorandum recommending that the Commission rescind its September 8, 2005, referral order and grant the District's petition to reopen.

8. Staff noted that the District's proposal to reduce the project scope will reduce the customers to be served from 363 to 207. Staff explained that the 363 customer number was a best case scenario under the original project plans. Further, the District will eliminate its plans to replace 600 water meters.

9. Staff stated that the District obtained user agreements from the 207 customers.

10. Staff opined that incremental operation and maintenance costs will not change due to the reduction in scope. Savings resulting from reducing the number of customers to be served will offset increased meter maintenance costs.

11. Staff's review of the District's revised cash flow analysis indicates that a rate increase is not necessary. The District will have a cash surplus of $17,646, and a debt coverage ration of 148.89%. Staff opined that no public notice of the project changes will be necessary because there is no rate impact.

CONCLUSIONS OF LAW

1. Upon consideration of all of the foregoing, the Commission finds that it is reasonable and appropriate to rescind its September 8, 2005, referral to the ALJ Division; reopen this certificate proceeding; and approve the proposed changes to project funding and scope.

2. As there is no rate impact associated with this petition to reopen, publication requirements may be waived.

Public Service Commission
of West Virginia
Charleston

3. The post-project requirements of this proceeding as set forth in the January 27, 2005, final order shall remain in full force and effect, and should be repeated in the ordering paragraphs below, for clarity.

ORDER

IT IS THEREFORE ORDERED that the District's petition to reopen this certificate proceeding, filed on July 22, 2005, is hereby granted.

IT IS FURTHER ORDERED that the District is authorized to reduce the scope of the project by: (i) reducing the number of new customers to be served from 363 to 207; and (ii) eliminating its plans to replace 600 water meters.

IT IS FURTHER ORDERED that revised funding for the project is approved at an amount not to exceed $6,585,825, to be funded by a loan or loans from the Infrastructure Council in the amount not to exceed a total of $5,085,825, payable over 38 years without interest or administrative fees, and a $1,500,000 HUD Grant.

IT IS FURTHER ORDERED that publication requirements for this reopened proceeding are waived.

IT IS FURTHER ORDERED that the District be, and hereby is, directed to operate under the rates approved in Case No. 04-1072-PWD-42A, until the project is certified by its engineer as substantially completed, as directed below.

IT IS FURTHER ORDERED that, after the District has operated for six (6) months under the rates approved in this certificate case, it shall apply for a rate review to determine whether a rate adjustment is required due to the project. The District's rate filing shall include a customer class cost of service study to justify the proposed rates and rate structure. The test year for Commission Staff's review shall include at least six (6) months' operation under the rates approved in this case, and, if available at the time of its review and recommendation, shall include one year of operation under the rates approved in this case.

IT IS FURTHER ORDERED that the District Staff file the engineer-certified bids with the Commission as soon as they are received and that the District's engineer file a certificate of substantial completion at least thirty (30) days prior to using the rates approved herein for the project.

IT IS FURTHER ORDERED that the rate structure set forth in Appendix B to the January 27, 2005, final order, is approved for all service rendered thirty (30) days after the District's engineer submits the certificate of substantial completion to the Commission.

IT IS FURTHER ORDERED that, within thirty (30) days of the District submitting the certificate of substantial completion with the Commission, the District shall file with the Commission an original and at least five copies of a proper tariff setting forth the approved rates and charges.

IT IS FURTHER ORDERED that, should the scope or the financing for the project change for any reason, the District be, and hereby is, directed to obtain separate Commission approval of any such changes prior to commencing construction of the project.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

JML/ljm
040233cd.wpd

Public Service Commission
of West Virginia
Charleston

040233ALJ010705.wpd

ENTERED
Order Book 06-A

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

ORIGINAL

Entered: January 7, 2005

CASE NO. 04-0233-PWD-CN

FINAL
1-27-05

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.
Application for certificate of convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County.

RECOMMENDED DECISION

PROCEDURE

On February 13, 2004, Flatwoods-Canoe Run Public Service District (District) filed an application under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County. The District, which estimated that the project would cost $6,119,975, proposed to finance the project with a $1,500,000 Housing and Urban Development Small Cities Block Grant (HUD Grant) and a $4,619,975 zero-interest, 40-year loan from the West Virginia Infrastructure and Jobs Development Council (IJDC). The District also requested approval to increase its revenues by 44.3% to cover existing operations and maintenance (O&M) expenses and debt service, in addition to the O&M expenses and debt service required by the project.

On February 13, 2004, the Commission required that the District publish a Notice of Filing, providing a 30-day period to protest the certificate project, the financing and/or the rate increase and providing that, if no protests were filed, the Commission may grant the certificate based upon its review of the application.

On February 27, 2004, the District submitted a publication affidavit indicating that the Notice of Filing had been published on February 24, 2004, in the *Braxton Citizens' News*, a newspaper published and generally circulated in Braxton County, and on February 20, 2004, in the *Braxton Democrat-Central*, a newspaper published and generally circulated in Braxton County.

On March 18, 2004, the Birch River Public Service District (Birch River PSD), a resale customer, filed a protest.

On March 15, 2004, Staff Attorney Cassius H. Toon, Esquire, filed the Initial Joint Staff Memorandum, attaching the March 2, 2004 Initial Internal Memorandum from Staff Engineer Ralph Clark, P.E., indicating that, once Commission Staff had investigated this matter, it would submit a substantive recommendation.

On March 23, 2004, the Commission entered the Commission Referral Order, referring this case to the ALJ Division for decision on or before September 10, 2004.

Responding to all of the above, on May 27, 2004, the Administrative Law Judge (ALJ) issued a Procedural Order adopting a procedural schedule to process and resolve this matter, which included a hearing to be conducted on Wednesday, June 9, 2004, at 10:00 a.m., in Sutton, West Virginia. The Procedural Order acknowledged that the hearing date was soon for the parties and welcomed suggested hearing dates if June 9, 2004, was not manageable. Additionally, the Procedural Order required that the District provide an affidavit indicating that it has fully complied with Rule 10.3.d. of the Commission's *Rules of Practice and Procedure*, regarding notifying its customers of its intent to increase rates in the context of the certificate case.

On June 2, 2004, the District, by counsel, filed the required affidavit regarding customer notice and a letter indicating that Commission Staff and the District had recently met to discuss the filing and the need for the District to request certain interim rates and charges regarding its water operations. At that meeting, it was determined that it would be appropriate for the District to file a Tariff Rule 42 rate proceeding, requesting emergency rates. The District's accountant was in the process of preparing the necessary information for the submission of the 42T proceeding. Commission Staff would be unable to make a final recommendation in the instant case until the submission of the Rule 42 filing. Therefore, the District's counsel and Staff counsel agreed that it would be appropriate to cancel the hearing scheduled for June 9, 2004, to be rescheduled to a mutually convenient date and time in the future.

Responding to all of the above, on June 3, 2004, in the absence of the ALJ, Chief Administrative Law Judge Melissa K. Marland issued a Procedural Order granting the request and canceling the hearing scheduled for Wednesday, June 9, 2004. Chief Judge Marland, noting that the decision due date in this proceeding is September 10, 2004, and that the statutory deadline is November 9, 2004, opined that, if the Rule 42 filing is an integral part of this case, and if it cannot be filed quickly, it may be necessary for the District to request that the Commission toll the statutory deadline for this certificate application.

On July 27, 2004, responding to a motion from the District, by Commission Order, the Commission tolled the 270-day statutory deadline for this certificate application by 120 days, i.e., until March 9, 2005. The July 27, 2004 Order also extended the ALJ Division's decision due date until January 8, 2005.

Responding to all of the above, on August 2, 2004, the ALJ issued an Order Adopting New Procedural Schedule and Requiring Publication, thereby scheduling this matter for a hearing to be convened on Wednesday, October 6, 2004, which coincided with the hearing scheduled by an August 3, 2004 Order in Case No. 04-1072-PWD-42A, *Flatwoods-Canoe Run Public Service District.* The August 2, 2004 Order in the instant case, i.e., Case No. 04-0233-PWD-CN, also required that the District publish the Notice of Hearing attached to the Order and indicated that the ALJ would not consider a continuance motion if the hearing notice had been published.

On August 16, 2004, Staff Attorney Toon submitted a Motion to Reschedule Certificate Hearing, attaching the August 11, 2004 Further Internal Memorandum from Staff Engineer Clark and Utilities Analyst Steve Wilson, Water and Wastewater Division, as the reason for the motion. Essentially, Commission Staff believes that it would be premature to issue a final recommendation in the certificate case until the Commission had entered a final order in Case No. 04-1072-PWD-42A, *Flatwoods-Canoe Run Public Service District.*

Responding to all of the above, on August 12, 2004, the ALJ issued an Order Denying Staff's Motion to Continue Hearing, indicating that, if either of the parties can give the ALJ other reasons to continue the October 6, 2004 hearing in this matter, the ALJ would consider those reasons.

On August 26, 2004, H. Wyatt Hanna, III, Esquire, counsel for the District submitted a letter indicating that he had a conflict with the October 6, 2004 hearing date. He also represented that all parties would be available for hearing in the instant case and in Case No. 04-1072-PWD-42A on either October 26 or November 4 or 8, 2004. The District requested that the ALJ reschedule the hearings in both of these two cases to one of those dates.

Responding to all of the above, on August 31, 2004, the ALJ issued an Order Canceling Hearing; Adopting New Procedural Schedule; and Requiring Publication, including a November 4, 2004 hearing date. The August 31, 2004 Order required the District to publish the Notice of Hearing attached to the Order, which the District has done.

On October 19, 2004, it came to the attention of the ALJ that the hearing had to be canceled and moved to a new location, since the existing location was not handicapped accessible.

Responding to all of the above, on October 20, 2004, the ALJ issued an Order Canceling Hearing; Adopting New Procedural Schedule; and Requiring Publication, including a Tuesday, November 9, 2004 hearing.

On November 9, 2004, Administrative Law Judge Susan A. Murensky, in the absence of Deputy Chief Administrative Law Judge Ronnie Z. McCann, who was convalescing after surgery, convened the hearing as scheduled.

The District appeared at the hearing by counsel, H. Wyatt Hanna, Esquire; Commission Staff appeared by counsel, Staff Attorney Cassius H. Toon, Esquire; Birch River PSD, which was granted

Intervenor status at the hearing, appeared by counsel, Thomas R. Michael, Esquire; and many Protestants appeared in person, *pro se*.

The District, concurring with the Staff recommendation, presented no witnesses, but presented five exhibits. Commission Staff presented the testimony of two witnesses and presented one exhibit. The Intervenor presented the testimony of one witness and presented two exhibits. The parties waived their rights under *West Virginia Code* §24-1-9(a) to submit post-hearing proposed findings of fact and conclusions of law or other written legal arguments.

EVIDENCE

The District presented a United States Certified Mail Domestic Return Receipt card indicating that it had served Birch River PSD with a notice of the prefiling of the certificate application on December 20, 2003, and a United States Certified Mail Domestic Return Receipt card indicating that it had served Birch River PSD with a notice of the filing of the certificate application on February 19, 2004, which the ALJ received into evidence as District Exhibit No. 1. The District presented two preliminary engineering reports, one for each project, which the ALJ received into evidence as District Exhibit No. 2. The District presented the detailed plans and specifications for the two projects, which the ALJ received into evidence as District Exhibit Nos. 3 and 4. Finally, the District presented its Rule 42 Exhibit, which the ALJ received into evidence as District Exhibit No. 5. (Tr., pp. 113-115; District Exhibit Nos. 1 through 5).

The hearing in Case No. 04-0233-PWD-CN was convened in conjunction with Case No. 04-1072-PWD-42A. Although these cases are not consolidated, the Reporter rendered only one transcript of the hearing. The persons who appeared as Protestants to the rate case unanimously indicated that they were in favor of the project proposed in the certificate case but opposed the rates to support the project. Their specific comments about the proposed rates are contained in the Recommended Decision in Case No. 04-1072-PWD-42A, entered simultaneously herewith, and are not repeated in the summary of the evidence in Case No. 04-0233-PWD-CN. However, their comments, as summarized in the Recommended Decision in Case No. 04-1072-PWD-42A, are incorporated and considered in this Recommended Decision. (Tr., pp. 115-116).

The first witness who testified on behalf of Commission Staff was Staff Engineer Ralph Clark. Mr. Clark identified the September 30, 2004 Final Joint Staff Memorandum, with attachments, which the ALJ received into evidence as Staff Exhibit No. 1. Mr. Clark and Utilities Analyst Steve Wilson prepared the September 29, 2004 Final Staff Memorandum, which contains the final Staff recommendation. Commission Staff recommended that the Commission approve the project. Although the District will experience increased O&M expenses of $72,342, only $23,877 are related to the project. The proposed new customers do not have any public water service. (Tr., pp. 117-119, 132; Staff Exhibit No. 1).

The project will extend public water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area. The project, for which the West

Virginia Department of Health and Human Resources has issued Permit No. 15,834, will cost an extimated $6,119,975, to be funded by two loans from the IJDC in the amounts of $3,143,000 and $1,476,975, for a total of $4,619,975 from the IJDC, payable over 38 years without interest or administrative fees (the debt service for these two loans is $121,578 annually), and the $1,500,000 HUD Grant. The IJDC loans also require a 10% debt service reserve equal to $12,158 and a 2.5% replacement reserve equal to $4,097. The District has letters of commitment from the funding agencies. The project does not conflict with any engineering principles or Commission laws, rules and regulations. The project will increase annual O&M expenses by $23,877. Staff has recommended rates that are 8.23% higher than those recommended in the companion rate case, to become effective when the project is substantially completed, at which time the Staff-recommended rates for the project case will generate a $33,000 cash flow surplus, resulting in a 157% debt service coverage (the IJDC requires 115% coverage). The Staff-recommended leak adjustment rate is $0.94 per 1,000 gallons. Staff, opining that public convenience and necessity require the project, recommended approving the application, the Staff-recommended rates and rate structure and the Staff-recommended revenue requirement, provided that, if the project's scope or financing should change, the District must petition the Commission for further approval prior to commencing construction. Staff also recommended that the District file the engineer-certified bids with the Commission as soon as they are received and that the District's engineer file a certificate of substantial completion prior to using the rates approved for the project. (See, Staff Exhibit No. 1).

Next, Utilities Analyst Wilson testified. He corrected a typographical error contained on page 5 of the Final Staff Memorandum, i.e., the Staff-recommended rate increase is 8.23%, not 8.73%, above what Staff recommended in the related rate case. Staff recommended that the 8.23% rate increase be across-the-board for all customer classes, e.g., the Staff-recommended resale rate in this general rate case is $3.15 per 1,000 gallons and Staff recommended a resale rate of $3.41 per 1,000 gallons in the certificate case, effective upon receipt of the certificate of substantial completion. Staff performed no class cost of service study in either the general rate case or the certificate case. While it is possible that a customer class cost of service study would have lowered the resale rate, Staff would not speculate. The revenue requirement proposed in the rate case does not consider the additional O&M expenses and debt service required by the certificate project. (Tr., pp. 119-123; Staff Exhibit No. 1).

Regarding the contract between the District and Birch River PSD pertaining to the resale rate, Mr. Wilson opined that the agreement "did not factor into anything that we did" in preparing the Staff-recommended revenue requirement. He could not explain why, by paying an increased resale rate, Birch River PSD should help pay for an extension of the District's water system. He reviewed Birch River PSD's current tariff, which the ALJ received into evidence as Intervenor Exhibit No. 1. He commented that Birch River PSD could petition the Commission for a pass-through of the increased resale rate. He reviewed the contract between the District and Birch River PSD, which provides that Birch River PSD will pay the District the resale rate for purchased water and that Birch River PSD will pay the District for O&M expenses of Birch River PSD, i.e., it is an O&M contract as well as a purchased water contract. The agreement states, at the last sentence in paragraph 8 at page 8, "The intent of this paragraph is that neither party will subsidize the other's capital or

operation expenses, and that all parties shall mutually benefit from this contract." Mr. Wilson opined that it is possible, under the Staff recommendation, that the customers of Birch River PSD might be subsidizing the District. (Tr., pp. 123-127; Intervenor Exhibit Nos. 1 and 2).

Mr. Wilson opined that all of the increased O&M expenses considered by Staff in this case are directly related to the project. He opined that, if Birch River PSD wanted the Commission to adopt a different rate structure than that recommended by Commission Staff, then Birch River PSD could have performed a customer class cost of service study to support a different rate structure. Commission Staff performed the standard methodology that the Commission has adopted for proceedings such as this in designing the Staff-recommended rate structure. The rates related to the project should become effective only after the project is substantially completed, i.e., the rates adopted in Case No. 04-1072-PWD-42A would become effective once the Commission Order is final, but the rates required by the certificate project, i.e., the additional 8.23%, would not become effective until the project is substantially completed. He opined that the project is financially feasible. The revenues generated by the new customers as a result of the project should exceed the additional O&M expenses required by the project. (Tr., pp. 127-131).

The District called its Chairman, Curtis Davis, to testify. Mr. Davis verified Intervenor Exhibit Nos. 1 and 2, respectively, as Birch River PSD's current tariff and the O&M agreement between Birch River PSD and the District. He opined that the Commission should not adopt rates in the certificate case that would cause Birch River PSD or its customers to subsidize the operations or the capital improvements of the District. The increased resale rate as a result of the certificate case impedes Birch River PSD's efforts to extend service to customers in its service territory and to develop and file certificate cases for that purpose. (Tr., pp. 134-137).

DISCUSSION

Since the District has demonstrated that the public convenience and necessity require the project; since the District has complied with all of the Commission's notice requirements; since no one opposes the project, although some oppose the rates to support the project; since the Health Department has issued Permit No. Permit No. 15,834; since the District has obtained an IJDC $4,619,975 zero-interest loan and a $1,500,000 HUD Grant to fund the project; and since Commission Staff has recommended approving the project, the ALJ holds that the public convenience and necessity require the project, and he will approve the project and the proposed financing.

As for the revenue requirements, rates and rate structure, which are the only items in dispute, since Commission Staff did not prepare customer class cost of service study, nor did any other party submit such a study, and no one has offered any credible evidence to specifically refute the Staff-recommended revenue requirements, rates and rate structure; and since the Staff-recommended rates will provide a $33,000 cash flow surplus, resulting in a 157% debt service coverage (the IJDC requires 115% coverage), the ALJ will approve the Staff-recommended revenue requirements, rates

and rate structure, to become effective thirty (30) days after the District's engineer submits a certificate of substantial completion.

However, since Commission Staff did not perform a customer class cost of service study in either the instant certificate case or in the general rate case, the ALJ believes that the Staff-recommended rate structure may be seriously flawed. Although no fair and reasonable method is available to the ALJ in the context of this certificate case to correct that possibly serious flaw, the ALJ will place in force a mechanism which he believes will mitigate the time frame within which the District's customers may be paying rates whose design is flawed. The District shall operate under the rates approved in the general rate case, i.e., Case No. 04-1072-PWD-42A, until the project is certified by the District's engineer as substantially complete, then the District shall operate for six months after the project is substantially completed under the rates approved in this case. After that, the District shall apply for a rate review to determine whether a rate adjustment is required due to the project. It is reasonable to require that the District perform a customer class cost of service study in its preparation for the rate case hereby required. Also, it is reasonable that the test year for the subsequent rate case shall include at least six months' operation under the rates approved in this case. If a test year with one full year of operation under the rates approved in this case is available to Commission Staff when it makes its recommendation in the rate case hereby required, then Commission Staff shall use such a test year, or, in the alternative, use a test year with as much operation time as possible under the rates approved in this case.

The ALJ also will require, should the scope or the financing for the project change for any reason, that the District obtain separate Commission approval prior to commencing construction of the project. Finally, the District shall file the engineer-certified bids with the Commission as soon as they are received and that the District's engineer file a certificate of substantial completion at least thirty (30) days prior to using the rates approved for the project.

FINDINGS OF FACT

1. Flatwoods-Canoe Run Public Service District filed an application with the Commission under *West Virginia Code* 24-2-11 for a certificate of public convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County. The District, which estimated that the project would cost $6,119,975, proposed to finance the project with a $1,500,000 HUD Grant and a $4,619,975 zero-interest, 38-year IJDC loan. The District also requested approval to increase its revenues by 44.3% to cover existing O&M expenses and debt service, in addition to the O&M expenses and debt service required by the project. (See, February 13, 2004 application).

2. The District properly notified the Birch River PSD with a notice of the prefiling of the certificate application on December 20, 2003, and a with a notice of the filing of the certificate application on February 19, 2004. (See, District Exhibit No. 1).

3. The District presented two preliminary engineering reports, one for each project. (See, District Exhibit No. 2).

4. The District presented the detailed plans and specifications for the two projects. (See, District Exhibit Nos. 3 and 4).

5. The District presented its Rule 42 Exhibit. (See, District Exhibit No. 5).

6. The hearing in Case No. 04-0233-PWD-CN was convened in conjunction with Case No. 04-1072-PWD-42A. Although these cases are not consolidated, the Reporter rendered only one transcript of the hearing. The persons who appeared as Protestants to the rate case unanimously indicated that they were in favor of the project proposed in the certificate case but opposed the rates to support the project. Their specific comments about the proposed rates are contained in the Recommended Decision in Case No. 04-1072-PWD-42A, entered simultaneously herewith, and are not repeated in the summary of the evidence in Case No. 04-0233-PWD-CN. However, their comments, as summarized in the Recommended Decision in Case No. 04-1072-PWD-42A, are incorporated and considered in this Recommended Decision. (See, Tr., pp. 115-116).

7. Commission Staff recommended that the Commission approve the project. Although the District will experience increased O&M expenses of $72,342, only $23,877 are related to the project. The proposed new customers do not have any public water service. (See, Testimony of Ralph Clark, Tr., pp. 117-119, 132; Staff Exhibit No. 1).

8. The project will extend public water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area. The project, for which the West Virginia Department of Health and Human Resources has issued Permit No. 15,834, will cost an estimated $6,119,975, to be funded by two loans from the IJDC in the amounts of $3,143,000 and $1,476,975, for a total of $4,619,975 from the IJDC, payable over 38 years without interest or administrative fees (the debt service for these two loans is $121,578 annually), and a $1,500,000 HUD Grant. The IJDC loans also require a 10% debt service reserve equal to $12,158 and a 2.5% replacement reserve equal to $4,097. The District has letters of commitment from the funding agencies. The project does not conflict with any engineering principles or Commission laws, rules and regulations. The project will increase annual O&M expenses by $23,877. Staff has recommended rates that are 8.23% higher than those recommended in the companion rate case, to become effective when the project is substantially completed, at which time the Staff-recommended rates for the project case will generate a $33,000 cash flow surplus, resulting in a 157% debt service coverage (the IJDC requires 115% coverage). The Staff-recommended leak adjustment rate is $0.94 per 1,000 gallons. Staff, opining that public convenience and necessity require the project, recommended approving the application, the Staff-recommended rates and rate structure and the Staff recommended revenue requirement, provided that, if the project's scope or financing should change, the District must petition the Commission for further approval prior to commencing construction. Staff also recommended that the District file the engineer-certified bids with the

Commission as soon as they are received and that the District's engineer file a certificate of substantial completion prior to using the rates approved for the project. (See, Staff Exhibit No. 1).

9. Staff has recommended a rate increase of 8.23% to cover the project, above what Commission Staff recommended in the general rate case. Staff recommended that the 8.23% rate increase be across-the-board for all customer classes, e.g., the Staff-recommended $3.15 per 1,000 gallons resale rate to be approved in the general rate case will increase to $3.41 per 1,000 gallons once the certificate project is substantially complete. Neither Staff nor any other party performed a class cost of service study in either the rate case or the certificate case. It is possible that a customer class cost of service study would have lowered the resale rate. The revenue requirements proposed in the rate case do not consider the additional O&M expenses and debt service required by the certificate project. (See, Testimony of Steve Wilson, Tr., pp. 119-123; Staff Exhibit No. 1).

10. Regarding the contract between the District and Birch River PSD pertaining to the resale rate, Staff opined that the agreement "did not factor into anything that we did" in preparing the Staff-recommended revenue requirement. Staff had no opinion whether, by paying an increased resale rate, Birch River PSD would help pay for an extension of the District's water system; however, Birch River PSD could petition the Commission for a pass-through of the increased resale rate. (See, Testimony of Steve Wilson, Tr., pp. 123-127; Intervenor Exhibit No. 1).

11. After reviewing the contract between the District and Birch River PSD, which provides that Birch River PSD will pay the District the resale rate for purchased water and that Birch River PSD will pay the District for O&M expenses of Birch River PSD, Staff opined that it is an O&M contract as well as a purchased water contract. The agreement states, at the last sentence in paragraph 8 at page 8, "The intent of this paragraph is that neither party will subsidize the other's capital or operation expenses, and that all parties shall mutually benefit from this contract." Staff acknowledged that it is possible, under the Staff recommendation, that the customers of Birch River PSD might be subsidizing the District. (See, Testimony of Steve Wilson, Tr., pp. 123-127; Intervenor Exhibit Nos. 1 and 2).

12. Staff opined that all of the increased O&M expenses are directly related to the project. Staff also opined that, if Birch River PSD wanted the Commission to adopt a different rate structure than that recommended by Commission Staff, then Birch River PSD could have performed a customer class cost of service study to support a different rate structure. Commission Staff utilized the standard methodology that the Commission has adopted for proceedings such as this in designing the Staff-recommended rate structure. (See, Testimony of Steve Wilson, Tr., pp. 127-131).

13. Staff opined that the rates related to the project should become effective only after the project is substantially completed, i.e., the rates adopted in Case No. 04-1072-PWD-42A would become effective once the Commission Order is final in that case, but the rates required by the certificate project, i.e., the additional 8.23%, would not become effective until the project is substantially completed. Staff also opined that the project is financially feasible and the revenues

generated by the new customers as a result of the project should exceed the additional O&M expenses required by the project. (See, Testimony of Steve Wilson, Tr., pp. 127-131).

14. The District opined that the Commission should not adopt rates in the certificate case that would cause Birch River PSD or its customers to subsidize the operations or the capital improvements of the District. The increased resale rate as a result of the certificate case impedes Birch River PSD's efforts to extend service to customers in its service territory and to develop and file certificate cases for that purpose. (See, Testimony of Curtis Davis, Tr., pp. 134-137).

15. The District published a Notice of Filing, providing a 30-day period to protest the certificate project, the financing and/or the rate increase and providing that, if no protests were filed, the Commission may grant the certificate based upon its review of the application. The District submitted a publication affidavit indicating that the Notice of Filing had been published on February 24, 2004, in the *Braxton Citizens' News*, a newspaper published and generally circulated in Braxton County, and on February 20, 2004, in the *Braxton Democrat-Central*, a newspaper published and generally circulated in Braxton County. The Birch River Public Service District, a resale customer, filed a protest. (See, February 13, 2004 Notice of Filing; February 27, 2004 publication affidavit; March 18, 2004 letter; Commission's file).

16. In Case No. 04-1072-PWD-42A, *Flatwoods-Canoe Run Public Service District*, Commission Staff recommended that the District operate under the Staff-recommended "going-level tariff" approved in the general rate case until the project is substantially completed, then operate for one year after substantial completion of the project in Case No. 04-0233-PWD-CN under the rates approved in the certificate case, then file for a rate review to determine whether a rate adjustment is needed due to the project. (See, Staff Exhibit No. 1, in Case No. 04-1072-PWD-42A).

CONCLUSIONS OF LAW

1. For all of the reasons set forth in Finding of Fact Nos. 1 through 8 and No. 15, it is reasonable to hold that the public convenience and necessity require the proposed project and to approve the certificate application.

2. For all of the reasons set forth in Conclusion of Law No. 1 and Finding of Fact No. 8, it is reasonable to approve the proposed financing for the project, at an amount not to exceed $6,119,975, to be funded by two IJDC loans in the amounts not to exceed $3,143,000 and $1,476,975, respectively, for a total amount not to exceed $4,619,975 from the IJDC, payable over 38 years without interest or administrative fees, and a $1,500,000 HUD Grant.

3. For all of the reasons set forth in Finding of Fact Nos. 7 through 13 and 16, it is reasonable to require that the District operate under the rates approved in the general rate case, i.e., Case No. 04-1072-PWD-42A, until the project is certified by the District's engineer as substantially complete, then for the District to operate for six months after the project is substantially completed under the rates approved in this case. After that, the District shall apply for a rate review to

determine whether a rate adjustment is required due to the project. It is reasonable to require that the District perform a customer class cost of service study in its preparation for the rate case hereby required. Finally, it is reasonable to require that Commission Staff utilize a test year with at least six months, and preferably one year, of operation under the rates approved in this certificate case when it makes its recommendations in the subsequent rate case hereby required.

4. It is also reasonable, should the scope or the financing for the project change for any reason, to require that the District obtain separate Commission approval of any such changes prior to commencing construction of the project.

5. It is also reasonable to require that the District file the engineer-certified bids with the Commission as soon as they are received and that the District's engineer file a certificate of substantial completion prior to using the rates approved herein for the project.

ORDER

IT IS, THEREFORE, ORDERED that the application filed with the Commission on February 13, 2004, by Flatwoods-Canoe Run Public Service District under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to extend potable water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area within the District's existing boundaries in Braxton County be, and hereby is, approved.

IT IS FURTHER ORDERED that the proposed financing for the project, at an amount not to exceed $6,119,975, to be funded by two IJDC loans in the amounts not to exceed $3,143,000 and $1,476,975, respectively, for a total amount not to exceed $4,619,975 from the IJDC, payable over 38 years without interest or administrative fees, and a $1,500,000 HUD Grant, be, and hereby is, approved.

IT IS FURTHER ORDERED that the District be, and hereby is, directed to operate under the rates approved in Case No. 04-1072-PWD-42A, until the project is certified by its engineer as substantially completed, as directed below.

IT IS FURTHER ORDERED that, after the District has operated for six (6) months under the rates approved in this certificate case, it shall apply for a rate review to determine whether a rate adjustment is required due to the project. The District's rate filing shall include a customer class cost of service study to justify the proposed rates and rate structure. The test year for Commission Staff's review shall include at least six (6) months' operation under the rates approved in this case, and, if available at the time of its review and recommendation, shall include one year of operation under the rates approved in this case.

IT IS FURTHER ORDERED that, should the scope or the financing for the project change for any reason, the District be, and hereby is, directed to obtain separate Commission approval of any such changes prior to commencing construction of the project.

IT IS FURTHER ORDERED that the District Staff file the engineer-certified bids with the Commission as soon as they are received and that the District's engineer file a certificate of substantial completion at least thirty (30) days prior to using the rates approved herein for the project.

IT IS FURTHER ORDERED that the Staff-recommended revenue requirement set forth in Appendix A and the rates and rate structure set forth in Appendix B be, and hereby are, approved for all service rendered thirty (30) days after the District's engineer submits the certificate of substantial completion to the Commission.

IT IS FURTHER ORDERED that, within thirty (30) days of the District submitting the certificate of substantial completion with the Commission, the District shall file with the Commission an original and at least five copies of a proper tariff setting forth the rates and charges hereby approved.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

The Executive Secretary hereby is ordered to serve a copy of this Recommended Decision upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this Recommended Decision is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this Recommended Decision shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's recommended decision by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's recommended decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

Ronnie Z. McCann
Deputy Chief Administrative Law Judge

RZM:s
040233af.wpd

Appendix A

CASE NO. 04-0233-PWD-CN
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.
APPROVED REVENUE REQUIREMENTS

Available Cash:	
Metered Sales	$1,123,506
Debt Service Reserve Surcharge Revenue	96,450
Sales for Resale	-
Forfeited Discounts	9,053
Miscellaneous Service Revenues	35,320
Other Water Revenues	-
Interest Income	8,571
Total Available Cash	$1,272,900
Cash Requirements:	
Operation and Maintenance Expenses	$ 699,509
Taxes other than Income Taxes	39,384
Total Cash Requirements	$ 738,893
Cash Available for Debt Service	$ 534,007
Debt Service Requirements	
1996-A USRDA Loan - Interest	$ 7,920
Principal	6,000
1996-B USRDA Loan - Interest	2,318
Principal	1,750
1998-A WDA Loan - Interest	-
Principal	-
1998-B WDA Loan - Interest	25,280
Principal	13,380
2001 Revenue Bonds - Interest	119,970
Principal	35,000
2003 Bank Loan (Truck) - Interest	1,046
Principal	5,172
WVIJDC Loan (Project) - Principal	121,578
Sub-Total	339,414
Truck Replacement Reserve	-
Debt Service Reserve Requirements	33,320
Renewal & Replacement Reserve	31,823
Debt Service Reserve Surcharge	96,450
Total Requirement	501,007
Remaining Cash Surplus (Deficit)	33,001
Debt Service Coverage	157.33%

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 04-0233-PWD-CN
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial and sales for resale water service.

RATES (customers with metered water supply)

First	2,000 gallons used per month	$ 8.68 per 1,000 gallons
Next	28,000 gallons used per month	$ 5.76 per 1,000 gallons
Next	870,000 gallons used per month	$ 4.49 per 1,000 gallons
Next	8,100,000 gallons used per month	$ 3.73 per 1,000 gallons
Over	9,000,000 gallons used per month	$ 2.99 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than $17.36 per month which is equivalent to 2,000 gallons or

5/8-inch meter	$ 17.36 per month
3/4-inch meter	$ 26.04 per month
1-inch meter	$ 43.40 per month
1-1/2-inch meter	$ 86.80 per month
2-inch meter	$138.88 per month
3-inch meter	$260.40 per month
4-inch meter	$434.00 per month
6-inch meter	$868.00 per month

INDUSTRIAL RATE

$5.93 per 1,000 gallons used per month.

WATER SALES FOR RESALE

All water for resale to Birch River Public Service District will be billed in accordance with the approved rate of $3.41 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

RECONNECTION - $20.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $200.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the service.

FIRE PROTECTION SCHEDULE

AVAILABILITY OF SERVICE

Available for private fire protection service.

RATE

Where connections, hydrants, sprinklers, etc., on private property are maintained by consumer:

	Per Month
2-inch Service Line with hydrants, sprinklers and/or hose connections	$ 2.50
3-inch Service Line with hydrants, sprinklers and/or hose connections	$ 5.65
4-inch Service Line with hydrants, sprinklers and/or hose connections	$ 9.90
6-inch Service Line with hydrants, sprinklers and/or hose connections	$ 25.10
8-inch Service Line with hydrants, sprinklers and/or hose connections	$ 41.15
10-inch Service Line with hydrants, sprinklers and/or hose connections	$ 73.00
12-inch Service Line with hydrants, sprinklers and/or hose connections	$102.25

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK FOR INSUFFICIENT FUNDS

A service charge equal to the actual bank fee assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

LEAK ADJUSTMENT

$0.94 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SURCHARGE

A surcharge of $0.57 per 1,000 gallons will be charged for the purpose of funding the debt service reserve account. The surcharge shall stay in effect approximately 12 months from the date of approval by the Public Service Commission of West Virginia.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

041072coma080305.sca

ENTERED PUBLIC SERVICE COMMISSION
Order Book 05-35 OF WEST VIRGINIA
CHARLESTON

ORIGINAL

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 3rd day of August, 2005.

CASE NO. 04-1072-PWD-42A

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
Petition to reopen.

COMMISSION ORDER

In Case No. 04-1072-PWD-42A, by Recommended Decision entered January 7, 2005 (final January 27, 2005), increased rates and charges were approved for use by the Flatwoods--Canoe Run Public Service District (District) to provide water service to its customers. Included in the approved tariff was a surcharge of $0.57 per thousand gallons, per customer, per month to be assessed for a period of twelve months to replenish the District's 1998 and 2001 debt service reserve accounts.

In Case No. 04-0233-PWD-CN, by Recommended Decision also entered January 7, 2005 (final January 27, 2005), the District was granted a certificate of convenience and necessity to extend water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area of the District's territory. The project financing was approved.

On June 1, 2005, the District filed a petition to reopen Case No. 04-1072-PWD-42A and explained that in order to consummate the financing and have the bond closing with regard to the project approved in Case No. 04-0233-PWD-CN, the District's current bond reserve account deficiencies must be fully funded. The District said the bond reserve account deficiencies relate specifically to the District's 1998 and 2001 Water Revenue Bonds. The District further explained it has obtained a $150,000 West Virginia Water Development Authority (WDA) loan, at a 5% interest rate for a period of two years. The District asserts that approval of the loan, in Case No. 04-1072-PWD-42A, will allow it to address the deficiencies which currently exist. The District believes that the revenue from the surcharge will be sufficient to repay the $150,000 WDA loan without the need

to further increase rates. In addition to curing the current deficiencies in the District's bond reserve accounts, approximately $10,000 of the loan will be used to pay for Bond Counsel fees, accounting fees, and general legal fees associated with the loan.

Commission Staff filed its Initial and Final Joint Staff Memorandum on July 7, 2005, noting the problem that the District cannot assume new debt when it has existing deficiencies relating to its current bond holders. Staff said that was the reason it developed the Commission-approved $0.57 surcharge per thousand gallons in this rate proceeding. Staff noted the District's intention to eliminate the debt service deficiency with the loan proceeds, allowing it to finance the project approved in Case No. 04-0233-PWD-CN. Staff explained its position as follows:

> Staff has no objection to the District using the funds generated by the debt service deficiency surcharge to retire the WDA loan, however, Staff recommends the surcharge be revised to $0.47 per M gallon, per customer, per month for a period of twenty four (24) months. The $0.57 per M gallon surcharge was set up to recover approximately $96,450 over a period of twelve (12) months. Based on Staff's amortization of the WDA loan, over a period of two (2) years, the annual debt service would be approximately $78,969. Utilizing the same determinants Staff used to develop the $0.57 per M gallon surcharge, Staff calculated the surcharge to be $0.47 per M gallon for a period of twenty four (24) months .... If the District assessed the $0.57 per M gallon, it would be over recovering the amount of revenue needed on a monthly basis to retire the loan.

Thus, Staff recommended approval for the District to borrow $150,000 at 5% interest, payable over a period of twenty-four months. Staff also recommended the "District open an interest bearing checking and deposit the revenues generated by surcharge, as received, and remit monthly payments directly to WDA or its designated agent for the monthly loan payment from this account." Finally, Staff recommended the previously approved surcharge be replaced with a $0.47 per M gallon, per customer, per month surcharge for twenty-four months.

On July 22, 2005, the District filed correspondence stating that it had no objection to Staff's recommendations.

DISCUSSION

By statute, a public service district is required to obtain the Commission's permission to accept a loan, as follows:

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

> Any public service district . . . is authorized . . . to accept . . . loans . . . for the purpose of paying part or all of the costs of construction or acquisition of water systems . . . .

W. Va. Code § 16-13A-24.

> . . . a public service district shall not borrow money . . . or exercise any of the powers conferred by the provisions of [*W. Va. Code* § 16-13A-24], without the prior consent and approval of the public service commission . . . .

W. Va. Code § 16-13A-25.

The Commission shall grant its consent for the District to accept the $150,000 WDA loan at 5% interest, payable over a period of twenty-four months. Also, upon a review of the information represented by the District and by Staff, the Commission concurs with Staff's additional recommendations and will adopt the same. Thus, the previously approved surcharge shall be replaced with a $0.47 per M gallon, per customer, per month surcharge for twenty-four months. The District will be directed to open an interest bearing checking account, deposit the revenues generated by surcharge, as received, and remit monthly payments directly to WDA or its designated agent for the monthly loan payment from the account.

FINDINGS OF FACT

1. In Case No. 04-1072-PWD-42A, by Recommended Decision entered January 7, 2005 (final January 27, 2005), increased rates and charges were approved for use by the District to provide water service to its customers. Included in the approved tariff was a surcharge of $0.57 per thousand gallons, per customer, per month to be assessed for a period of twelve months to replenish the District's 1998 and 2001debt service reserve accounts.

2. In Case No. 04-0233-PWD-CN, by Recommended Decision also entered January 7, 2005 (final January 27, 2005), the District was granted a certificate of convenience and necessity to extend water service to approximately 130 users in the Poplar Ridge area and approximately 140 users in the Morrison Ridge area of the District's territory. The project financing was approved.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

3. On June 1, 2005, the District filed a petition to reopen Case No. 04-1072-PWD-42A for approval to accept a $150,000 WDA loan, at a 5% interest rate payable over two years to allow it to address current bond serve account deficiencies.

4. The District believes that the revenue from the previously-approved surcharge will be sufficient to repay the $150,000 WDA loan without the need to further increase rates.

5. On July 7, 2005, Staff recommended the following: a) approval for the District to borrow $150,000 at 5% interest, payable over a period of twenty-four months; b) that the District open an interest bearing checking account and deposit the revenues generated by surcharge, as received, and remit monthly payments directly to WDA or its designated agent for the monthly loan payment from the account; and c) that the previously approved surcharge be replaced with a $0.47 per M gallon, per customer, per month surcharge for twenty-four months.

6. On July 22, 2005, the District filed correspondence stating that it had no objection to Staff's recommendations.

CONCLUSIONS OF LAW

1. Pursuant to *W. Va. Code* §§ 16-13A-24 and 16-13A-25, the District's petition to accept the $150,000 WDA loan at 5% interest, payable over a period of twenty-four months, should be approved.

2. The previously approved surcharge shall be replaced with a $0.47 per M gallon, per customer, per month surcharge for twenty-four months.

3. The District should open an interest bearing checking account, deposit the revenues generated by the surcharge, as received, and remit monthly payments directly to WDA or its designated agent for the monthly loan payment from the account.

ORDER

IT IS, THEREFORE, ORDERED that the Flatwoods–Canoe Run Public Service District's petition to reopen is granted.

IT IS FURTHER ORDERED that the Flatwoods–Canoe Run Public Service District's petition to accept the $150,000 WDA loan at 5% interest, payable over a period of twenty-four months, is hereby approved.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

IT IS FURTHER ORDERED that the previously approved $0.57 per thousand gallons surcharge shall be replaced with a $0.47 per M gallon, per customer, per month surcharge for twenty-four months.

IT IS FURTHER ORDERED that the Flatwoods–Canoe Run Public Service District open an interest bearing checking account, deposit the revenues generated by the approved surcharge, as received, and remit monthly payments directly to WDA or its designated agent for the monthly loan payment from the account.

IT IS FURTHER ORDERED that the Staff-recommended tariff, attached hereto as Attachment A, is hereby approved for use by the Flatwoods–Canoe Run Public Service District, to become effective upon the date of this Order.

IT IS FURTHER ORDERED that the Flatwoods–Canoe Run Public Service District file an original and five copies of the revised tariff, approved herein, with the Commission within thirty (30) days.

IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's active docket of cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

TBS/ljm
041072ca.sca

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT - Water
CASE NUMBER 04-1072-PWD-42A

ATTACHMENT A

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial and sales for resale water service.

RATES (customers with metered water supply)

First	2,000	gallons used per month	$	8.02	per 1,000 gallons
Next	28,000	gallons used per month	$	5.32	per 1,000 gallons
Next	870,000	gallons used per month	$	4.15	per 1,000 gallons
Next	8,100,000	gallons used per month	$	3.45	per 1,000 gallons
Over	9,000,000	gallons used per month	$	2.76	per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than $ 16.04 per month which is equivalent to 2,000 gallons or

5/8	inch meter	$	16.04	per month
3/4	inch meter	$	24.10	per month
1	inch meter	$	40.10	per month
1 1/2	inch meter	$	80.20	per month
2	inch meter	$	128.35	per month
3	inch meter	$	240.60	per month
4	inch meter	$	401.00	per month
6	inch meter	$	802.00	per month

INDUSTRIAL RATE

$ 5.48 per 1,000 gallons used per month

WATER SALES FOR RESALE

All water for resale to Birch River Public Service District will be billed in accordance with the approved rate of $ 3.15 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION $20.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $200.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the service.

FIRE PROTECTION SCHEDULE

AVAILABILITY OF SERVICE

Available for private fire protection service.

RATE

Where connections, hydrants, sprinklers, etc., on private property are maintained by consumer:

	Per Month
2 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 2.50
3 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 5.65
4 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 9.90
6 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 25.10
8 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 41.15
10 - inch Service Line with hydrants, sprinklers, and/or hose connections	$ 73.00
12 - inch Service Line with hydrants, sprinklers, and/or hose connection	$ 102.25

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK CHARGE

A service charge equal to the actual bank feel assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

$ 0.86 per 1,000 gallons is to be used when a bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical usage.

(D) SURCHARGE

A surcharge of $0.47 per 1,000 gallons, per customer, per month will be charged for a period of twenty four (24) months to retire a loan to the Water Development Authority (WDA).

(D) Indicates decrease

041072ALJ010705.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

1-27-05

Entered: January 7, 2005

CASE NO. 04-1072-PWD-42A

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.
Rule 42A application to increase water rates and charges.

RECOMMENDED DECISION

PROCEDURE

On July 12, 2004, Flatwoods-Canoe Run Public Service District (District), a public utility, Braxton County, filed an application with the Public Service Commission seeking approval of increased rates and charges to provide water service to its customers. The District sought an emergency interim rate increase of approximately 10.75% for all of its customers and permanent rates approximately 21.5% above the requested interim rates. The permanent rates would support a pending certificate application, Case No. 04-0233-PWD-CN, *Flatwoods-Canoe Run Public Service District.*

By Commission Referral Order dated July 21, 2004, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before February 7, 2005. Commission Staff was required to file its report on or before November 29, 2004.

On July 22, 2004, Staff Attorney Cassius H. Toon, Esquire, submitted the Initial Joint Staff Memorandum and Interim Rate Recommendation, attaching the July 16, 2004 Initial Internal Memorandum from Utilities Analyst Charles Knurek, Water and Wastewater Division, and Staff Engineer Jonathan Fowler, Engineering Division. Commission Staff reported that the District is operating at a $77,240 cash flow deficit with an 84.05% debt service coverage. Staff proposed emergency interim rates that would increase the District's revenues by $33,923 for its metered customers and by $1,128 for its resale customer. The District currently has a declining block rate structure in which the rate for the first 2,000 gallons of usage is $7.27 per 1,000 gallons; the resale

rate is $2.86 per 1,000 gallons. The Staff-recommended interim rates would increase revenues by about 4.5%, with the rate for the first 2,000 gallons increasing to $7.60 per 1,000 gallons and the interim resale rate increasing to $2.99 per 1,000 gallons. Staff deferred, until it makes its recommendation for final rates, the District's request for a one-year surcharge to fund the reserve account.

On July 26, 2004, the Commission received a protest to the proposed interim and final rates. The protest letter attached a copy of a publication apparently made by the District containing the District's proposed interim and final rates.

Responding to all of the above, on August 3, 2004, the ALJ issued a Procedural Order adopting a procedural schedule to process and resolve this case, including a Wednesday, October 6, 2004 hearing date. The August 3, 2004 Order also required that the District publish a hearing notice and otherwise comply with all of the requirements of the Commission's *Rules for the Construction and Filing of Tariffs*. Also on August 3, 2004, the ALJ issued an Interim Recommended Decision increasing customers' rates by approximately 4.5% across-the-board, subject to refund, pending the final resolution of this matter. The Interim Recommended Decision became final on August 10, 2004, by Commission Order waiving the exception period.

On August 26, 2004, H. Wyatt Hanna, III, Esquire, counsel for the District submitted a letter indicating that he had a conflict with the October 6, 2004 hearing date. He also represented that all parties would be available for hearing in the instant case and in Case No. 04-0233-PWD-42A on either October 26 or November 4 or 8, 2004. The District requested that the ALJ reschedule the hearings in both of these two cases to one of those dates.

Responding to all of the above, on August 31, 2004, the ALJ issued an Order Canceling Hearing; Adopting New Procedural Schedule; and Requiring Publication, including a November 4, 2004 hearing date. The August 31, 2004 Order required the District to publish the Notice of Hearing attached to the Order, which the District has done.

On October 19, 2004, it came to the attention of the ALJ that the hearing had to be canceled and moved to a new location, since the existing location was not handicapped accessible.

Responding to all of the above, on October 20, 2004, the ALJ issued an Order Canceling Hearing; Adopting New Procedural Schedule; and Requiring Publication, including a Tuesday, November 9, 2004 hearing.

On November 9, 2004, Administrative Law Judge Susan A. Murensky, in the absence of Deputy Chief Administrative Law Judge Ronnie Z. McCann, who was convalescing after surgery, convened the hearing as scheduled.

The District appeared at the hearing by counsel, H. Wyatt Hanna, Esquire; Commission Staff appeared by counsel, Staff Attorney Cassius H. Toon, Esquire; Birch River PSD, which was granted

Intervenor status at the hearing, appeared by counsel, Thomas R. Michael, Esquire; and many Protestants appeared in person, *pro se*.

The District, concurring with the Staff recommendation, presented no witnesses, but presented two exhibits. Commission Staff presented the testimony of two witnesses and presented two exhibits. The Intervenor presented the testimony of one witness and presented two exhibits. The parties waived their rights under *West Virginia Code* §24-1-9(a) to submit post-hearing proposed findings of fact and conclusions of law or other written legal arguments.

EVIDENCE

The many customers and prospective customers were granted the opportunity to make public comment at the hearing; approximately 20 of them chose to do so. Patty Powell spoke on her own behalf and on behalf of Mt. Hebron Church, which is located beside her house and for which she serves as a trustee. Although she supports the certificate project, she is opposed to the increased rates. (Tr., p. 13). Doris Dean spoke on her own behalf and on behalf of the Braxton County Senior Center and the Braxton County Chapter of AARP. Ms. Dean wants the people who live in the areas where water is to be extended to get the extension, i.e., she does not oppose the project, but she opposes the rate increase. Since every other public utility has raised rates to a level that more than consumes the cost of living increase for Social Security recipients, she questions where the Commission thinks the money will come from to pay for the District's rate increase. (Tr., p. 14).

Betty Rose stated that she had worked on getting the water project for three years and supports the project. Twice a week, she has a 325-gallon water tank filled for her household, which is expensive. 15 wells in the area have tested positive for chromium contamination. She is willing to pay for the water, but hopes that the rates are not too high. As for Birch River PSD, she does not sympathize with them, since they are located in another county. (Tr., pp. 14-16).

Robert Holcomb, Chairman of the Braxton County Chapter of AARP and a delegate to the legislature, voiced his support for the project but opposed the rate hike. Most of the residents of the area live on about $500 a month in Social Security benefits; he could easily spend $400 shopping at a local supermarket for a week's worth of groceries. He does not know how most of the retirees are going to make it, even without the water rate increase. He is fighting for the children and the seniors in this state. Mr. Holcomb continued:

> We have to reach down and take from the poorest of our citizens in order for the big timers to drive their limousines. People, that's what we've got in this state. Don't try to fool me.
>
> And I'm here to say something else. I was here one time for a gas meeting. And I told one of our upstanding senators, you keep on cutting people's gas off in the winter and

keep on raising your gas and my gas in Braxton County, and you're going to get eat. And Mike Ross was beat.

ined that utility rate increases should correspond to cost of living adjustments for Social rity recipients, which is 2.7% this year. (Tr., pp. 16-19).

Next, Sandy Payne explained that she has no water in the summer and has to carry water to er house from town. (Tr., pp. 19-20). Georgetta Knight, Secretary of the Braxton County Chapter of AARP and a board member of the senior center, pointed out that 25% of Braxton County is inhabited by senior citizens. She stated that water service is needed in the proposed areas, but a rate increase is not. Ms. Payne cited one example of a 65-year-old woman who lives on $535 per month from Social Security and from working one night a week. That woman is not able to pay her current bills, let alone an increased water bill. She does not believe that people who already have public water service should have to pay extra so that people who do not have public water service can get it. (Tr., pp. 20-21). Christopher Utt stated that everyone in the project area has to haul water during the summer and that most of them cannot drink their water from wells because it is contaminated with sulphur and other contaminants. (Tr., pp. 21-22). Elizabeth Utt reiterated the statements of Christopher Utt. (Tr., p. 22). Martha Turnier supported the water project but opposed the rate hike. (Tr., pp. 22-23).

Laura Bright stated that the people on Morrison Ridge had been trying for over 30 years to obtain public water service. Ms. Bright was one of those who went door-to-door to obtain signatures in favor of the project. Her own water source is a cistern, which tested positive for E. coli. She cannot afford to drill a well and needs public water service. She is willing to pay a little extra for public water service. (Tr. pp. 23-24). Connie Carpenter supports the water project and the rate increase. She has to haul water most of the year for her household. (Tr., p. 24). Anita Luzader has hauled her drinking water and coffee water for over 40 years. She had a new well dug this year and the water it produces is not fit for human consumption. She favors the project and the rate increase (Tr., pp. 24-25). Florence Marlow, who lives next-door to Ms. Luzader, also has had to haul wat for over 40 years. She supports the project but opposes the rate increase. However, she is will to pay whatever it takes to get public water service. (Tr., pp. 25-26). Genelda Dennison, wh to catch water in barrels to supplement her well, supports the project and is willing to pay wha it takes for public water service. (Tr., p. 26). Becky Cochran is waiting on the water projec completed so that she can move into her new house. She supports the project and the rate i (Tr., pp. 26-27).

Calvin Wilson drinks water from a cistern. He caught "beaver fever" from drinkin which his doctor said was caused from animals defecating and urinating in the water s area desperately needs public water service. (Tr., p. 28). Rita Sniffin supports the proje water. (Tr., p. 28).

The first witness who testified on behalf of Commission Staff was Staff Eng Marakovits. Mr. Marakovits reviewed and approved the work of Staff Engineer

who performed Commission Staff's engineering review of the rate case. Mr. Marakovits identified the Staff document prepared by Mr. Fowler and by Utility Financial Analyst Charles Knurek of the Water and Wastewater Division, which the ALJ received into evidence as Staff Exhibit No. 1. Staff adjusted O&M expenses for the District to reflect that the District needed to hire one additional full-time treatment plant operator, since this will avoid overtime pay and will provide 24-hour-per-day operation of the plant; this also is good for security, which has been a concern since the 9-11 attacks. Staff also adjusted the treatment costs due to increased costs for chemicals and adjusted the cost of electrical power due to increased cost of power caused chiefly by adding new customers. Staff reviewed the capital improvements over the past several years and surveyed the improvements that are obviously needed in the near future to arrive at the Staff-recommended $30,167 cash flow surplus. Several improvements have been mandated by the West Virginia Department of Health and Human Resources (Health Department), including reducing the water turbidity, improving the computer system, obtaining an alternate power supply for emergencies, replacing old meters with touch-read meters over the next ten years, reducing the unaccounted for water from 20% to 15% by purchasing leak detection equipment and repairing leaks, renovating the District's office to separate it from its treatment plant building, replacing an air compressor and several other such improvements. All of these improvements would cost about $90,500 over three years. (Tr., pp. 36-44).

Mr. Marakovits acknowledged that Birch River PSD purchases its water for resale from the District. He was not aware that Birch River PSD also pays the District to operate and maintain Birch River PSD's system. Mr. Marakovits opined that all of the Staff-recommended O&M adjustments and plant additions would benefit Birch River PSD as a resale customer. Mr. Marakovits could not specify, if any, exactly how much of the District's operational costs do not benefit Birch River PSD. Even the meter-replacement program will benefit Birch River PSD by lowering the cost to provide water to every customer. Commission Staff recommended that all costs of the District be spread out over all of its customers, including the resale customer. The Staff-recommended rates are designed so that every customer pays for all of the costs of service for all of the customers; the rates are not broken down by region or area. The methodology that Staff employed in this case is consistent with how the Commission has designed rates since Mr. Marakovits began working at the Commission in 1987. Staff did not perform a customer class cost of service study in this case. (Tr., pp. 44-53).

Next, Staff called Utility Financial Analyst Charles Knurek, who also began working at the Commission in 1987, to testify. Mr. Knurek based his findings and conclusions contained in Staff Exhibit No. 1 upon his examination of the District's books and records and upon the engineering recommendations made by Jonathan Fowler. Staff recommended that the Commission approve final rates that are 5.5% higher than the interim rates approved in this case; approve a $0.86 per 1,000 gallons incremental cost for leak adjustments; direct the District's Board Members to refrain from illegal actions or face removal; approve a $0.57 per 1,000 gallons surcharge for a period of one year to replenish the District's debt service reserve; direct the District to file a new rate case after operating the project in Case No. 04-0233-PWD-CN with the Staff-recommended rates for one year; and approve the Staff-recommended revenue requirement, rates and rate structure. The Staff-recommended rates, including the surcharge, will produce increased revenues of about $51,000

above going-level, which will allow for a $32,266 cash flow surplus, compared to a $17,183 cash flow deficit at going-level, and will provide a 181.5% debt service coverage. Mr. Knurek specified that the per books rates would produce a $140,000 cash flow deficit; the adjusted per books rates would produce a $47,362 cash flow deficit; the going-level rates would produce a $17,183 cash flow deficit; and the Staff-recommended rates would produce a $32,266 cash flow surplus. He referred to a calculation that he made to compare the rates that the District's customers would pay based on their water consumption, which the ALJ received into evidence as Staff Exhibit No. 2. (Tr., pp. 54-57; Staff Exhibit Nos. 1 and 2).

Mr. Knurek explained the layout of the Staff report and the various accounting terms used in the report, such as test year, per books, going-level, adjustments and so forth. The District sought a rate increase that would have increased revenues by about $21,000 more than what Staff has recommended. (Tr., pp. 57-61). Staff has recommended a rate of $8.05 per 1,000 gallons for the first 2,000 gallons used. The per books rate for this amount of consumption was $7.27 per 1,000 gallons, while the going-level rate is $7.60. In this instance, the going-level rate is the interim rate approved in this case. The District's tariff contains five rate blocks and Staff has recommended an across-the-board increase, i.e., the same percentage increase for each rate block. The cash flow surplus is where the District obtains the revenues necessary to fund the Staff-recommended capital improvements. (Tr., pp. 61-64).

Mr. Knurek explained that the O&M expenses included in Staff's analysis includes the amounts it spends to operate and maintain the Birch River PSD. All ratepayers, including the resale customers, bear the costs of providing water service to all of the customers. According to the O&M agreement between Birch River PSD and the District, Birch River PSD pays the District an amount to cover the O&M of Birch River PSD. The rates are designed so that no double payment for these services is incurred by Birch River PSD, i.e., the rate increase only reflects the cost to provide the water to Birch River PSD for resale; the additional costs of operating and maintaining Birch River PSD's system are covered by the O&M agreement. Mr. Knurek opined that Staff normally does not perform a customer class cost of service study in rate cases for public service districts; rather, Staff recommends across-the-board rate changes for all customer classes. Staff did not perform a customer class cost of service study in the instant rate case, even though this is a Rule 42A case, not a Rule 19A case, as are most public service district rate cases. Some of the improvements to the District's system would benefit Birch River PSD and some would not; Staff did not identify or quantify these differences. The rates recommended in Case No. 04-1072-PWD-42A are to be effective once this Recommended Decision becomes final, provided that the Commission requires that the District operate for one year after the project in Case No. 04-0233-PWD-CN is substantially completed, at which time it should file for a rate review. (Tr., pp. 64-67; Staff Exhibit No. 1).

Mr. Knurek did not consider what effect the Staff-recommended rates would have on Birch River PSD's customers. Although he acknowledged, under the terms of the O&M contract between Birch River PSD and the District, that Birch River PSD might be subsidizing the operations of the District, he could not identify, specify or quantify any instances. Staff just used its standard procedure for designing rates for public service districts, i.e., determine the cost of service or revenue

requirement to fund the District's O&M expenses, adequately cover debts and allow a cash flow surplus to fund normal or average capital improvements or plant additions, then apply the percentage of increased revenues across the board to the present rate structure. Mr. Knurek did not specifically determine the cost to provide service to Birch River PSD when designing the rates. He explained that the large debt service coverage of 181%, compared to the required 110% to 115%, is just the result of the Staff-recommended cash flow surplus to cover plant additions. He believes that the recommendation that the District file a new rate case after operating for one year after the certificate project is substantially completed will rectify any shortcomings in the Staff-recommended rates. However, at this time, the Staff-recommended rates are what the District needs to properly operate its utility. He does not know whether the next rate case, to be filed one year after completing the project, will increase or decrease the District's rates. (Tr., pp. 67-72).

Mr. Knurek testified that the District's last rate case was in 1990, which contributes to why the District is operating at a deficit. Commission Staff did not perform a customer class cost of service study to determine the respective costs for residential, commercial, industrial and resale customers. Staff opined that, absent a cost of service study, an across-the-board rate increase for all rate blocks is the most non-discriminatory, fair and reasonable way to design rates. (Tr., pp. 72-75). Mr. Knurek opined that the Staff-recommended rates and rate structure are cost-based and will generate the revenues necessary for the District to serve its existing and prospective customers. (Tr., pp. 75-77).

Mr. Knurek explained that, since Birch River PSD does not have employees to operate and maintain its system, it has entered into the contract with the District to operate and maintain it. Birch River PSD pays the District a separate amount for providing this service. The rate increase only addresses the amount that Birch River PSD pays for water, not for the O&M services that the District provides. Mr. Knurek identified the O&M agreement between the District and Birch River PSD, which the ALJ received into evidence as District Exhibit No. 1. The contracts states in paragraph 5, "Birch River agrees to pay Flatwoods-Canoe Run no later than the 20th day of each month the sum of $2.28 per thousand gallons for water delivered, as set forth in Flatwoods-Canoe Run's tariff on file with the Public Service Commission of West Virginia, or as such tariff may be revised from time to time." A separate paragraph states how Birch River PSD is to compensate the District for O&M services. Mr. Knurek opined that, since Birch River PSD is a small utility with only about 230 customers, it is probably more efficient for it to pay the District to operate it than to hire employees and purchase equipment to operate it. (Tr., pp. 77-83; District Exhibit No. 1).

With regard to the District purchasing a truck without prior Commission approval to borrow money, Mr. Knurek is not recommending that the Commission initiate a general investigation to have the District's Board removed; rather, Commission Staff is warning and admonishing the District to follow all of the Commission's rules and regulations in the future. Staff opined that the purchased truck was needed by the District; it just should have obtained prior approval from the Commission before borrowing the money to purchase the truck. (Tr., pp. 83-86).

Mr. Knurek explained that the Commission had granted a 4.5% rate increase for the District on an interim basis. Staff is recommending that the District's rates be increased by 5.5% over and above the interim rates already in place. The rates will be reviewed one year after substantial completion of the project in the certificate case. The Staff-recommended "going-level" tariff, attached as Appendix A, contains the rates that the District should charge until the certificate project is substantially completed. The Staff-recommended tariff contains the rates that the District should charge after the certificate project is completed. Then, the District must file for a rate review after operating for one year with the Staff-recommended rates after the project is completed. (Tr., pp. 86-89; Staff Exhibit No. 1). The Staff-recommended rates spread out the costs for the District's operations over all of its customers, which is fair to the customer located just a few feet from the water plant and is fair to customers located a long distance away, such as the resale customer. Staff believes that the recommended rates prevent either Birch Run PSD or the District from cross-subsidizing each other's operations. (Tr., pp. 89-93).

DISCUSSION

Having considered all of the above, since no party has prepared a customer class cost of service study and no one has offered any accounting evidence to refute the Staff-recommended revenue requirements, rates and rate structure; and since the Staff-recommended rates, including the surcharge, will produce increased revenues of about $51,000 above going-level, which will allow for a $32,266 cash flow surplus, compared to a $17,183 cash flow deficit at going-level, and will provide a 181.5% debt service coverage, the ALJ will approve the Staff-recommended revenue requirements, rates and rate structure, to become effective for all service rendered after this Recommended Decision becomes final.

However, the ALJ strongly believes that Commission Staff, or one of the parties, should have performed a customer class cost of service study in this case. The only reason that the ALJ is approving the Staff-recommended rates and rate structure is because he has no other competent evidence upon which to rely. Since the ALJ can only speculate that a customer class cost of service would have produced a different rate structure, he will reluctantly approve the Staff-recommended rates.

Finally, the ALJ will admonish the District to follow all state laws and Commission rules and regulations in the future, such as obtaining prior Commission approval to borrow money.

FINDINGS OF FACT

1. Flatwoods-Canoe Run Public Service District filed an application with the Commission seeking approval of increased rates and charges to provide water service to its customers. The District sought an emergency interim rate increase of approximately 10.75% for all of its customers and permanent rates of approximately 21.5% above the requested interim rates. The permanent rates

would support a pending certificate application, Case No. 04-0233-PWD-CN, *Flatwoods-Canoe Run Public Service District.* (See, July 12, 2004 application).

2. The ALJ issued an Interim Recommended Decision increasing customers' rates by approximately 4.5% across-the-board, subject to refund, pending the final resolution of this matter. (See, August 3, 2004 Interim Recommended Decision, final August 10, 2004).

3. The many customers and prospective customers were granted the opportunity to make public comment at the hearing; approximately 20 of them chose to do so. Since the hearing in this general rate case was convened with the hearing in Case No. 04-0233-PWD-CN, the District's certificate case, the Protestants addressed both cases. Most or all of the Protestants indicated their support for the certificate project. Many of them opposed the rate increases in each case. (See, Testimony of Patty Powell, Tr., p. 13; Doris Dean, Tr., p. 14; Betty Rose, Tr., pp. 14-16; Robert Holcomb, Tr., pp. 16-19; Sandy Payne, Tr., pp. 19-20; Georgetta Knight, Tr., pp. 20-21; Christopher Utt, Tr.,pp. 21-22; Elizabeth Utt, Tr., pp. 22-23; Laura Bright, Tr. pp. 23-24; Connie Carpenter, Tr., p. 24; Anita Luzader; Florence Marlow, Tr., pp. 25-26; Genelda Dennison, Tr., p. 26).

4. Some of the Protestants were willing to pay the increased rates if it meant getting public water service. (See, Testimony of Laura Bright, Tr., pp. 23-24; Connie Carpenter, Tr., p. 24; Anita Luzader, Tr., pp. 24-25; Florence Marlow, Tr., pp. 25-26; Genelda Dennison, Tr., p. 26; Becky Cochran, Tr., pp. 26-27; Calvin Wilson, Tr., p. 28; Rita Sniffin, Tr., p. 28).

5. Commission Staff adjusted O&M expenses for the District to hire one additional full-time treatment plant operator, since this will avoid overtime pay and will provide 24-hour-per-day operation of the plant; this also is good for security, which has been a concern since the 9/11 attacks. Staff also adjusted the treatment costs due to increased costs for chemicals and adjusted the cost of electrical power due to increased cost of power caused chiefly by adding new customers. Staff reviewed the capital improvements over the past several years and surveyed the improvements that are obviously needed in the near future to arrive at the Staff-recommended $30,167 annual cash flow surplus. Several improvements have been mandated by the Health Department, including reducing the water turbidity, improving the computer system, obtaining an alternate power supply for emergencies, replacing old meters with touch-read meters over the next ten years, reducing the unaccounted for water from 20% to 15% by purchasing leak detection equipment and repairing leaks, renovating the District's office to separate it from its treatment plant building, replacing an air compressor and several other such improvements. All of these improvements would cost about $90,500 over three years. (See, Testimony of Joseph A. Marakovits, Tr., pp. 36-44; Staff Exhibit No. 1).

6. Staff opined that all of the Staff-recommended O&M adjustments and plant additions would benefit Birch River PSD as a resale customer. Staff recommended that all costs of the District be spread out over all of its customers, including the resale customer. The Staff-recommended rates are designed so that every customer pays for all of the costs of service for all of the customers; the rates are not broken down by region or area. The methodology that Staff employed in this case is

consistent with how the Commission has designed rates in previous public service district rate cases. Staff did not perform a customer class cost of service study in this case. (See, Testimony of Joseph A. Marakovits, Tr., pp. 44-53; Staff Exhibit No. 1).

7. After examining the District's books and records and relying upon the Staff engineering recommendations, Staff recommended that the Commission approve final rates that are 5.5% higher than the interim rates approved in this case; approve a $0.86 per 1,000 gallons incremental cost for leak adjustments; direct the District's Board Members to refrain from illegal actions or face removal; approve a $0.57 per 1,000 gallons surcharge for a period of one year to replenish the District's debt service reserve; direct the District to file a new rate case after operating the project in Case No. 04-0233-PWD-CN with the Staff-recommended rates for one year; and approve the Staff-recommended revenue requirement, rates and rate structure. (See, Testimony of Charles Knurek, Tr., pp. 54-57; Staff Exhibit Nos. 1 and 2).

8. The Staff-recommended rates, including the surcharge, will produce increased revenues of about $51,000 above going-level, which will allow for a $32,266 cash flow surplus, compared to a $17.183 cash flow deficit at going-level, and will provide a 181.5% debt service coverage. The per books rates would produce a $140,000 cash flow deficit; the adjusted per books rates would produce a $47,362 cash flow deficit; the going-level rates would produce a $17,183 cash flow deficit; and the Staff-recommended rates would produce a $32,266 cash flow surplus. (See, Testimony of Charles Knurek, Tr., pp. 54-57; Staff Exhibit Nos. 1 and 2).

9. The District sought a rate increase that would have increased revenues by about $21,000 more than what Staff has recommended. (See, Testimony of Charles Knurek, Tr., pp. 57-61).

10. Staff has recommended a rate of $8.05 per 1,000 gallons for the first 2,000 gallons used. The per books rate for this amount of consumption was $7.27 per 1,000 gallons, while the going-level rate is $7.60. In this instance, the going-level rate is the interim rate approved in this case. The District's tariff contains five rate blocks and Staff has recommended an across-the-board increase, i.e., the same percentage increase for each rate block. The cash flow surplus is where the District obtains the revenues necessary to fund the Staff-recommended capital improvements. (See, Testimony of Charles Knurek, Tr., pp. 61-64).

11. Staff explained that the O&M expenses included in Staff's analysis include the amounts the District spends to operate and maintain the Birch River PSD. All ratepayers, including the resale customers, bear the costs of providing water service to all of the customers. According to the O&M agreement between Birch River PSD and the District, Birch River PSD pays the District an amount to cover the O&M of Birch River PSD. The rates are designed so that no double payment for these services is incurred by Birch River PSD, i.e., the rate increase only reflects the cost to provide the water to Birch River PSD for resale; the additional costs of operating and maintaining Birch River PSD's system are covered by the O&M agreement. (See, Testimony of Charles Knurek. Tr., pp. 64-67; Staff Exhibit No. 1).

12. Staff normally does not perform a customer class cost of service study in rate cases for public service districts; rather, Staff recommends across-the-board rate changes for all customer classes. The rates recommended in Case No. 04-1072-PWD-42A are to be effective once this Recommended Decision becomes final, provided that the Commission requires that the District operate for one year after the project in Case No. 04-0233-PWD-CN is substantially completed, at which time it should file for a rate review. (See, Testimony of Charles Knurek, Tr., pp. 64-67; Staff Exhibit No. 1).

13. Staff did not consider what effect the Staff-recommended rates would have on Birch River PSD's customers. Although Staff acknowledged, under the terms of the O&M contract between Birch River PSD and the District, that Birch River PSD might be subsidizing the operations of the District, it could not identify, specify or quantify any instances. Staff just used its standard procedure for designing rates for public service districts, i.e., determine the cost of service or revenue requirement to fund the District's O&M expenses, adequately cover debts and allow a cash flow surplus to fund normal or average capital improvements or plant additions, then apply the percentage of increased revenues across the board to the present rate structure. Staff opined that it normally does not perform a customer class cost of service study in rate cases for public service districts; rather, Staff recommends across-the-board rate changes for all customer classes. Staff did not perform a customer class cost of service study in the instant rate case, even though it is a Rule 42A case, not a Rule 19A case. Staff did not specifically determine the cost to provide service to Birch River PSD when designing the rates. The large debt service coverage of 181%, compared to the required 115%, is just the result of the Staff-recommended cash flow surplus to cover plant additions. Staff believes that the recommendation that the District file a new rate case after operating for one year after the certificate project is substantially completed will rectify any shortcomings in the Staff-recommended rates. However, at this time, the Staff-recommended rates are what the District needs to properly operate its utility. Staff does not know whether the next rate case, to be filed one year after completing the project, will increase or decrease the District's rates. (See, Testimony of Charles Knurek, Tr., pp. 67-72).

14. The District's last rate case was in 1990, which contributes to why the District is operating at a deficit. Commission Staff did not perform a customer class cost of service study to determine the respective costs for residential, commercial, industrial and resale customers. Staff opined that, absent a cost of service study, an across-the-board rate increase for all rate blocks is the most non-discriminatory, fair and reasonable way to design rates. (See, Testimony of Charles Knurek, Tr., pp. 72-75).

15. Staff opined that the Staff-recommended rates and rate structure are cost-based and will generate the revenues necessary for the District to serve its existing and prospective customers. (See, Testimony of Charles Knurek, Tr., pp. 75-77).

16. Staff explained that, since Birch River PSD does not have employees to operate and maintain its system, it has entered into the contract with the District to operate and maintain it. Birch River PSD pays the District a separate amount for providing this service. The rate increase only

addresses the amount that Birch River PSD pays for water, not for the O&M services that the District provides. The O&M agreement between the District and Birch River PSD states in paragraph 5, "Birch River agrees to pay Flatwoods-Canoe Run no later than the 20th day of each month the sum of $2.28 per thousand gallons for water delivered, as set forth in Flatwoods-Canoe Run's tariff on file with the Public Service Commission of West Virginia, or as such tariff may be revised from time to time." A separate paragraph states how Birch River PSD is to compensate the District for O&M services. Staff opined that, since Birch River PSD is a small utility with only about 230 customers, it is probably more efficient for it to pay the District to operate it than to hire employees and purchase equipment to operate it. (See, Testimony of Charles Knurek, Tr., pp. 77-83; District Exhibit No. 1).

17. With regard to the District purchasing a truck without prior Commission approval to borrow money, Staff clarified that it is not recommending that the Commission initiate a general investigation to have the District's Board removed; rather, Commission Staff is warning and admonishing the District to follow all of the Commission's rules and regulations in the future. Staff opined that the purchased truck was needed by the District; it just should have obtained prior approval from the Commission before borrowing the money to purchase the truck. (See, Testimony of Charles Knurek, Tr., pp. 83-86).

18. Staff explained that the Commission had granted a 4.5% rate increase for the District on an interim basis. Staff is recommending that the District's rates be increased by 5.5% over and above the interim rates already in place. The rates will be reviewed one year after substantial completion of the project in the certificate case. The Staff-recommended "going-level" tariff, attached as Appendix A, contains the rates that the District should charge until he certificate project is substantially completed. The Staff-recommended tariff contains the rates that the District should charge after the certificate project is completed. Then, the District must file for a rate review after operating for one year with the Staff-recommended rates after the project is completed. (See, Testimony of Charles Knurek, Tr., pp. 86-89; Staff Exhibit No. 1).

19. The Staff-recommended rates spread out the costs for the District's operations over all of its customers, which Staff believes is fair to the customer located just a few feet from the water plant and is fair to customers located a long distance away, such as the resale customer. (See, Testimony of Charles Knurek, Tr., pp. 89-93).

CONCLUSIONS OF LAW

1. For all of the reasons set forth in Finding of Fact Nos. 5 through 19, and since no party has prepared an alternative rate structure and cost of service; and since the Staff-recommended rates, including the surcharge, will produce increased revenues of about $51,000 above going-level, which will allow for a $32,266 cash flow surplus, compared to a $17,183 cash flow deficit at going-level, and will provide a 181.5% debt service coverage, it is reasonable to approve the Staff-recommended revenue requirements but is not necessarily just and reasonable to approve the Staff-recommended

rates and rate structure. However, since the Staff-recommended rates and rate structure are the best evidence available, the ALJ will approve them.

2. Since this is a Rule 42A case, not a Rule 19A Case, which have different standards; since the District's last rate case was over 14 years ago; and since Commission Staff could not or did not identify and determine the costs of providing service to the Birch River PSD, its resale customer, and the respective costs of service to provide service to each customer class, it is reasonable to hold that Commission Staff should have performed a customer class cost of service study in this case.

3. It is reasonable to admonish the District to follow all state laws and Commission rules and regulations in the future, such as obtaining prior Commission approval to borrow money.

ORDER

IT IS, THEREFORE, ORDERED that the July 12, 2004 application filed with the Commission by Flatwoods-Canoe Run Public Service District seeking approval of increased rates and charges to provide water service to its customers be, and hereby is, granted, to the extent recommended by Commission Staff.

IT IS FURTHER ORDERED that the Staff-recommended revenue requirement set forth in Appendix A, and the Staff-recommended rates and rate structure set forth in Appendix B, be, and hereby are, approved for all service rendered by the District after this Recommended Decision becomes final.

IT IS FURTHER ORDERED that, within thirty (30) days of this Recommended Decision becoming final, the District shall file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved.

IT IS FURTHER ORDERED that the District be, and hereby is, admonished to follow all State laws and Commission rules and regulations, including, but not limited to, obtaining prior Commission approval to borrow money.

IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

The Executive Secretary hereby is ordered to serve a copy of this Recommended Decision upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this Recommended

Decision is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this Recommended Decision shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's recommended decision by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's recommended decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

Ronnie Z. McCann
Deputy Chief Administrative Law Judge

RZM:s
041072ad.wpd

CASE NO. 04-1072-PWD-42A
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

APPROVED REVENUE REQUIREMENTS

Available Cash:	
Metered Sales	$ 960,960
Debt Service Reserve Surcharge Revenue	96,450
Sales for Resale	-
Forfeited Discounts	7,743
Miscellaneous Service Revenues	35,320
Other Water Revenues	-
Interest Income	8,571
Miscellaneous Nonoperating Income	-
Other Income	-
Total Available Cash	$1,109,044
Cash Requirements:	
Operation and Maintenance Expenses	$ 675,632
Taxes other than Income Taxes	37,972
Total Cash Requirements	$ 713,604
Cash Available for Debt Service	$ 395,440
Debt Service Requirements	
1996-A USRDA Loan - Interest Expense	$ 7,920
Principal Retirement	6,000
1996-B USRDA Loan - Interest Expense	2,318
Principal Retirement	1,750
1998-A WDA Loan - Interest Expense	-
Principal Retirement	-
1998-B WDA Loan - Interest Expense	25,280
Principal Retirement	13,380
2001 Revenue Bonds - Interest Expense	119,970
Principal Retirement	35,000
2003 Bank Loan (Truck) - Interest Expense	1,046
Principal Retirement	5,172
Sub-Total	217,836
Reserve Requirements:	
Debt Service Reserve Requirements	21,162
Renewal & Replacement Reserve	27,726
Debt Service Reserve Surcharge	96,450
Total Debt Service & Reserve Requirement	363,174
Remaining Cash Surplus (Deficit)	32,266
Debt Service Coverage	181.53%

CASE NO. 04-1072-PWD-42A
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial, industrial and sales for resale water service.

RATES (customers with metered water supply)

First	2,000 gallons used per month	$ 8.02 per 1,000 gallons
Next	28,000 gallons used per month	$ 5.32 per 1,000 gallons
Next	870,000 gallons used per month	$ 4.15 per 1,000 gallons
Next	8,100,000 gallons used per month	$ 3.45 per 1,000 gallons
Over	9,000,000 gallons used per month	$ 2.76 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than $16.04 per month which is equivalent to 2,000 gallons or

5/8-inch meter	$ 16.04 per month
3/4-inch meter	$ 24.10 per month
1-inch meter	$ 40.10 per month
1-1/2-inch meter	$ 80.20 per month
2-inch meter	$128.35 per month
3-inch meter	$240.60 per month
4-inch meter	$401.00 per month
6-inch meter	$802.00 per month

INDUSTRIAL RATE

$5.48 per 1,000 gallons used per month.

WATER SALES FOR RESALE

All water for resale to Birch River Public Service District will be billed in accordance with the approved rate of $3.15 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION - $20.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $200.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the service.

FIRE PROTECTION SCHEDULE

AVAILABILITY OF SERVICE

Available for private fire protection service.

RATE

Where connections, hydrants, sprinklers, etc., on private property are maintained by consumer:

	Per Month
2-inch Service Line with hydrants, sprinklers and/or hose connections	$ 2.50
3-inch Service Line with hydrants, sprinklers and/or hose connections	$ 5.65
4-inch Service Line with hydrants, sprinklers and/or hose connections	$ 9.90
6-inch Service Line with hydrants, sprinklers and/or hose connections	$ 25.10
8-inch Service Line with hydrants, sprinklers and/or hose connections	$ 41.15
10-inch Service Line with hydrants, sprinklers and/or hose connections	$ 73.00
12-inch Service Line with hydrants, sprinklers and/or hose connections	$102.25

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RETURNED CHECK FOR INSUFFICIENT FUNDS

A service charge equal to the actual bank fee assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

$0.86 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SURCHARGE

A surcharge of $0.57 per 1,000 gallons will be charged for the purpose of funding the debt service reserve account. The surcharge shall stay in effect approximately 12 months from the date of approval by the Public Service Commission of West Virginia.

Jefferson E. Brady, P.E. ☙ Executive Director

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Phone: (304) 558-4607
Facsimile: (304) 558-4609
Jefferson.Brady@verizon.net

RECEIVED
JAN 3 2007
DUNN ENGINEERS

January 10, 2007

Steve Sanders, General Manager
Flatwoods-Canoe Run PSD
P.O. Box 677
Sutton, WV 26601

Re: Loan Agreement
Water Project 2006W-896
Action Required by January 30, 2007

Dear Mr. Sanders:

At the January 10, 2006 meeting of the West Virginia Infrastructure & Jobs Development Council (the "Council"), the Council authorized the West Virginia Water Development Authority (the "Authority") to enter into a Loan agreement with the Flatwoods-Canoe Run Public Service District (the "District") for a Loan of $1,014,000. The Loan will be made from the proceeds of bonds issued by the Authority on behalf of the Council. To comply with new US Internal Revenue Code requirements, the Council and the Authority replaced the binding commitment letters with the attached Loan agreement.

If the District intends to accept the Loan, its governing body must adopt a written resolution authorizing it to enter into the Loan agreement. If authorized, the District should execute the Loan agreement in triplicate and return them, along with a certified copy of the resolution, to the Authority. **The District must also submit to the Council a proposed written schedule for the closing of the Loan.**

Please contact Jeff Brady at (304) 558-4607 if you have any questions.

Sincerely,

Jefferson E. Brady

Jefferson E. Brady, P.E.
Executive Director

cc: Dunn Engineers, Inc. (w/o enclosure)

Public Members
Ken Lowe, Shepherdstown ☙ Dwight Calhoun, Petersburg ☙ Tim Stranko, Morgantown ☙ Dave McComas, Prichard

RESOLUTION

Flatwoods Canoe Run Public Service District

Infrastructure Project 2006W-896

WHEREAS, the Flatwoods Canoe Run Public Service District (the "District") has applied to the West Virginia Infrastructure and Jobs Development Council (the "Council") for a loan in the amount of $1,014,000 (the "Loan") for the purpose of financing a portion of the water project to extend service to approximately 84 new customers in the Morrison and Poplar Ridge areas and all necessary appurtenances ("Project") located in Braxton County, West Virginia; and

WHEREAS, Council has accepted said application and has approved a commitment letter at its January 10, 2007 meeting (the "Commitment"); and

WHEREAS, pursuant to the Commitment, the District is requested to execute and deliver a loan agreement (the "Loan Agreement") be setting forth the terms and conditions of the Loan; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BOARD OF THE DISTRICT, THAT: The Loan from the Council for the purposes set forth in the Commitment is hereby ratified, confirmed and approved.

RESOLVED, The form and substance of the Commitment, the Loan Agreement, and other agreements, documents, instruments, certificates and other papers required to be executed under the terms of the Loan Agreement be, and each of them hereby is, in all respects authorized and approved.

RESOLVED The Chairman and any other officer of the District be, and they each hereby are, authorized, empowered and directed to execute and deliver, for and in the name and on behalf of the District, the Loan Agreement and any other and all agreements, documents, instruments, certificates and other papers, and to do all such other acts and things, as may be necessary and desirable to consummate the transactions authorized herein and otherwise to carry out the purpose and intent of these resolutions, all with such change or changes as the officer executing the same may approve, such approval and the propriety and necessity thereof to be conclusively evidenced by the execution and delivery of such documents by such officer.

RESOLVED The Secretary of the District be, and he hereby is, authorized and directed to certify and deliver to Council copies of these resolutions.

ADOPTED this 17th day of January, 2007.

Its: Chairman

Its: Secretary

292120.00007

IC-2
(12/6/06)

LOAN AGREEMENT

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

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

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

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Council an Application for Project Funding with attachments and exhibits (together, as

further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, the Council has requested the Authority to issue Infrastructure Revenue Bonds, the proceeds of which will be deposited in a sub account of the Infrastructure Fund and used to make loans and grants to Governmental Agency's (the "Authority Bonds")and

WHEREAS, having reviewed the Application and made all findings required by the Act and intending to have available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Exhibit E attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with the proceeds of the Authority Bonds deposited in the Infrastructure Fund, subject to the issuance of the Authority's Bonds and the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

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

ARTICLE I

Definitions

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

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

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

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

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

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

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

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

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

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

ARTICLE II

The Project and the System

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

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things

necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers'

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

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

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

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

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

ARTICLE III

Conditions to Loan;
Issuance of Local Bonds

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

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

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

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

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

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

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

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

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Exhibit E, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount

equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Exhibit E attached hereto and in the Local Act;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

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

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

(xiv) That the proceeds of the Local Bonds, advanced from time to time, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and the Council, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

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

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

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the

Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

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

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

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

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

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

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Exhibit E hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Exhibit E.

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Exhibit E hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

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

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

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

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

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

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

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

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

(i) one year after the date of execution hereof by the Authority; or

(ii) termination by the Authority and the Council pursuant to Section 6.1 hereof.

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

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

(SEAL)

Attest: Edward Dakes

Its: Secretary

By: James Rogers

Its: Chairman

Date: 1-17-07

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

Attest:

Its: Secretary-Treasurer

By: _____

Its: Director

Date: _____

{C1157770.1}

THIS LOAN AGREEMENT WAS APPROVED BY RESOLUTION OF THE GOVERNING BODY OF THE GOVERNMENTAL AGENCY ON January 17, 2007.

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

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

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

[1]If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____,

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

WITNESS my signature and seal on this ____ day of _____, ___.

[SEAL]

_____

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

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

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the " Exhibit" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

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

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
Name of Bond Issue(s) _____
Type of Project _____ **Water** _____ **Wastewater**
Fiscal Year _____ **Report Month** _____

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

_____
Name of Person Completing Form

_____
Address

_____
Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of $1,200 are anticipated to be received for the year, each month the base would be increased by $100 ($1,200/12). This is the incremental amount for the Budget Year-to-Date column.

Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of $900 are anticipated to be incurred for the year, each month the base would be increased by $75 ($900/12). This is the incremental amount for the Budget Year-to-Date column.

Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.

Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are $1,200, then $30 (2.5% of $1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

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

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:	
Interest	$
Principal	$
Total:	$
Reserve Account:	$

Witness my signature this ___ day of_____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT E

Approval Loan Amount:	$1,014,000
Terms:	40 years at 0%.
Project Description:	Extend water distribution system to the Morrison Ridge and the Poplar Ridge areas; add lines cut during the initial project.

West Virginia Infrastructure & Jobs Development Council

Public Members:
Mark Prince
Hurricane
Dwight Calhoun
Petersburg
C. R. "Rennie" Hill, III
Beckley
Tim Stranko
Morgantown

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE
Executive Secretary

KMallory@verizon.com

September 7, 2005

Steve Sanders, General Manager
Flatwoods-Canoe Run Public Service District
P.O. Box 677
Sutton, West Virginia 26601

Re: Binding Commitment Letter - Revised
Flatwoods-Canoe Run Public Service District Water Project
Project 2002W-665 / 2002W-666
BID OVERRUN

Dear Mr. Sanders:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act and has reviewed the Flatwoods-Canoe Run Public Service District's (the "District") request for revision to the Infrastructure Council's binding commitments of May 23, 2003 and September 10, 2002 (collectively the "Binding Commitment") to the District for financing its water project. At its September 7, 2005 meeting, the Infrastructure Council voted to revise the Binding Commitment as shown on the attached proposed Schedule A. The Infrastructure Fund loan is increased by $465,850. All other conditions of the Binding Commitment remain in effect. Please contact Katy Mallory if you have any questions concerning this matter.

Sincerely,

Mark Prince

MP/km
Attachment
NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return two to the Infrastructure Council

Flatwoods-Canoe Run Public Service District

By:_____

Its: _____

Date:_____

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Flatwoods-Canoe Run Public Service District
Water Projects 2002W-665 / 2002W-666
September 7, 2005

SCHEDULE A

A.	Amount:	$3,143,000	Loan
		1,476,975	Loan
		465,850	Loan
		$5,085,825	TOTAL LOAN

B. Loan: $5,085,825

1.	Maturity Date:	40 years from date of closing.
2.	Interest Rate:	0%
3.	Loan Advancement Date(s)	Monthly, upon receipt of proper requisition
4.	Debt Service Commencement:	The first quarter following completion of construction, which date must be identified prior to closing.
5.	Special Conditions:	None

C. Other Funding Sources:

SCBG	$1,500,000

D. Total Project Cost: $6,585,825

E. Proposed User Rates: $31.76 / 4500 gallons

cc: Samme Gee, Jackson Kelly
John Stump, Steptoe & Johnson
Pat Taylor, BPH
Dunn Engineers, Inc.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 24th day of April, 2007, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of $1,014,000 , numbered AR-1 (the "Series 2007 A Bonds"), issued as a single, fully registered Bond, and dated April 24, 2007.

2. At the time of such receipt, the Series 2007 A Bonds had been executed by the Chairman and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Series 2007 A Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2007 A Bonds, of the sum of $28,750, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced by the Authority and the West Virginia Infrastructure and Jobs Development Council to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

Dated as of the date first written above.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: _____
Its: Authorized Representative

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

04.06.07
292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith on this 24th day of April, 2007.

(1) Bond No. AR-1, constituting the entire original issue of Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the principal amount of $1,014,000 (the "Series 2007 A Bonds"), dated April 24, 2007, executed by the Chairman and Secretary of Flatwoods-Canoe Run Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on April 23, 2007, and a Supplemental Resolution duly adopted by the Issuer on April 23, 2007 (collectively, the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the Series 2007 A Bonds, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of a loan agreement for the Series 2007 A Bonds, dated April 24, 2007, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council")(the Loan Agreement"); and

(4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Series 2007 A Bonds.

You are hereby requested and authorized to deliver the Series 2007 A Bonds to the Authority upon payment to the Issuer of the sum of $28,750, representing a portion of the principal amount of the Series 2007 A Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

[Remainder of Page Intentionally Left Blank]

Dated as of the date first written above.

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

01.24.07
292120.00007

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $1,014,000

KNOW ALL MEN BY THESE PRESENTS: That on this 24th day of April, 2007, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum ofONE MILLION FOURTEEN THOUSAND DOLLARS ($1,014,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated April 24, 2007.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended

(collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on April 23, 2007, and a Supplemental Resolution duly adopted by the Issuer on April 23, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS WITH THE ISSUER'S: (1) WATER REVENUE BONDS, SERIES 1996 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000 (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000 (THE "SERIES 1996 B BONDS"); (3) WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 24, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $890,000 (THE "SERIES 1998 B BONDS"); (4) WATER REVENUE BONDS, SERIES 2001 (BLUEFIELD AREA EXTENSION PROJECT), DATED OCTOBER 18, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,240,000 (THE "SERIES 2001 BONDS"); (5) WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 8, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $5,085,825 (THE "SERIES 2005 A BONDS"); AND (6) WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED DECEMBER 8, 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $84,180 (THE "SERIES 2005 B BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the

Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wet lands to produce an agriculture commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form

and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net 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 this Bond.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

Chairman

ATTEST:

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2007 A Bond described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: April 24, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

SPECIMEN

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$28,750	April 24, 2007	(19)	$	
(2)	$		(20)	$	
(3)	$		(21)	$	
(4)	$		(22)	$	
(5)	$		(23)	$	
(6)	$		(24)	$	
(7)	$		(25)	$	
(8)	$		(26)	$	
(9)	$		(27)	$	
(10)	$		(28)	$	
(11)	$		(29)	$	
(12)	$		(30)	$	
(13)	$		(31)	$	
(14)	$		(32)	$	
(15)	$		(33)	$	
(16)	$		(34)	$	
(17)	$		(35)	$	
(18)	$		(36)	$	

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

$1,014,000
Flatwoods Canoe Run PSD (West Virginia)
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2007	-	-	-
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	-	-	-
09/01/2008	6,542.00	-	6,542.00
12/01/2008	6,542.00	-	6,542.00
03/01/2009	6,542.00	-	6,542.00
06/01/2009	6,542.00	-	6,542.00
09/01/2009	6,542.00	-	6,542.00
12/01/2009	6,542.00	-	6,542.00
03/01/2010	6,542.00	-	6,542.00
06/01/2010	6,542.00	-	6,542.00
09/01/2010	6,542.00	-	6,542.00
12/01/2010	6,542.00	-	6,542.00
03/01/2011	6,542.00	-	6,542.00
06/01/2011	6,542.00	-	6,542.00
09/01/2011	6,542.00	-	6,542.00
12/01/2011	6,542.00	-	6,542.00
03/01/2012	6,542.00	-	6,542.00
06/01/2012	6,542.00	-	6,542.00
09/01/2012	6,542.00	-	6,542.00
12/01/2012	6,542.00	-	6,542.00
03/01/2013	6,542.00	-	6,542.00
06/01/2013	6,542.00	-	6,542.00
09/01/2013	6,542.00	-	6,542.00
12/01/2013	6,542.00	-	6,542.00
03/01/2014	6,542.00	-	6,542.00
06/01/2014	6,542.00	-	6,542.00
09/01/2014	6,542.00	-	6,542.00
12/01/2014	6,542.00	-	6,542.00
03/01/2015	6,542.00	-	6,542.00
06/01/2015	6,542.00	-	6,542.00
09/01/2015	6,542.00	-	6,542.00
12/01/2015	6,542.00	-	6,542.00
03/01/2016	6,542.00	-	6,542.00
06/01/2016	6,542.00	-	6,542.00
09/01/2016	6,542.00	-	6,542.00
12/01/2016	6,542.00	-	6,542.00
03/01/2017	6,542.00	-	6,542.00
06/01/2017	6,542.00	-	6,542.00
09/01/2017	6,542.00	-	6,542.00
12/01/2017	6,542.00	-	6,542.00
03/01/2018	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD (West Virginia)
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2018	6,542.00	-	6,542.00
09/01/2018	6,542.00	-	6,542.00
12/01/2018	6,542.00	-	6,542.00
03/01/2019	6,542.00	-	6,542.00
06/01/2019	6,542.00	-	6,542.00
09/01/2019	6,542.00	-	6,542.00
12/01/2019	6,542.00	-	6,542.00
03/01/2020	6,542.00	-	6,542.00
06/01/2020	6,542.00	-	6,542.00
09/01/2020	6,542.00	-	6,542.00
12/01/2020	6,542.00	-	6,542.00
03/01/2021	6,542.00	-	6,542.00
06/01/2021	6,542.00	-	6,542.00
09/01/2021	6,542.00	-	6,542.00
12/01/2021	6,542.00	-	6,542.00
03/01/2022	6,542.00	-	6,542.00
06/01/2022	6,542.00	-	6,542.00
09/01/2022	6,542.00	-	6,542.00
12/01/2022	6,542.00	-	6,542.00
03/01/2023	6,542.00	-	6,542.00
06/01/2023	6,542.00	-	6,542.00
09/01/2023	6,542.00	-	6,542.00
12/01/2023	6,542.00	-	6,542.00
03/01/2024	6,542.00	-	6,542.00
06/01/2024	6,542.00	-	6,542.00
09/01/2024	6,542.00	-	6,542.00
12/01/2024	6,542.00	-	6,542.00
03/01/2025	6,542.00	-	6,542.00
06/01/2025	6,542.00	-	6,542.00
09/01/2025	6,542.00	-	6,542.00
12/01/2025	6,542.00	-	6,542.00
03/01/2026	6,542.00	-	6,542.00
06/01/2026	6,542.00	-	6,542.00
09/01/2026	6,542.00	-	6,542.00
12/01/2026	6,542.00	-	6,542.00
03/01/2027	6,542.00	-	6,542.00
06/01/2027	6,542.00	-	6,542.00
09/01/2027	6,542.00	-	6,542.00
12/01/2027	6,542.00	-	6,542.00
03/01/2028	6,542.00	-	6,542.00
06/01/2028	6,542.00	-	6,542.00
09/01/2028	6,542.00	-	6,542.00
12/01/2028	6,542.00	-	6,542.00
03/01/2029	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD (West Virginia)
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2029	6,542.00	-	6,542.00
09/01/2029	6,542.00	-	6,542.00
12/01/2029	6,542.00	-	6,542.00
03/01/2030	6,542.00	-	6,542.00
06/01/2030	6,542.00	-	6,542.00
09/01/2030	6,542.00	-	6,542.00
12/01/2030	6,542.00	-	6,542.00
03/01/2031	6,542.00	-	6,542.00
06/01/2031	6,542.00	-	6,542.00
09/01/2031	6,542.00	-	6,542.00
12/01/2031	6,542.00	-	6,542.00
03/01/2032	6,542.00	-	6,542.00
06/01/2032	6,542.00	-	6,542.00
09/01/2032	6,542.00	-	6,542.00
12/01/2032	6,542.00	-	6,542.00
03/01/2033	6,542.00	-	6,542.00
06/01/2033	6,542.00	-	6,542.00
09/01/2033	6,542.00	-	6,542.00
12/01/2033	6,542.00	-	6,542.00
03/01/2034	6,542.00	-	6,542.00
06/01/2034	6,542.00	-	6,542.00
09/01/2034	6,542.00	-	6,542.00
12/01/2034	6,542.00	-	6,542.00
03/01/2035	6,542.00	-	6,542.00
06/01/2035	6,542.00	-	6,542.00
09/01/2035	6,542.00	-	6,542.00
12/01/2035	6,542.00	-	6,542.00
03/01/2036	6,542.00	-	6,542.00
06/01/2036	6,542.00	-	6,542.00
09/01/2036	6,542.00	-	6,542.00
12/01/2036	6,542.00	-	6,542.00
03/01/2037	6,542.00	-	6,542.00
06/01/2037	6,542.00	-	6,542.00
09/01/2037	6,542.00	-	6,542.00
12/01/2037	6,542.00	-	6,542.00
03/01/2038	6,542.00	-	6,542.00
06/01/2038	6,542.00	-	6,542.00
09/01/2038	6,542.00	-	6,542.00
12/01/2038	6,542.00	-	6,542.00
03/01/2039	6,542.00	-	6,542.00
06/01/2039	6,542.00	-	6,542.00
09/01/2039	6,542.00	-	6,542.00
12/01/2039	6,542.00	-	6,542.00
03/01/2040	6,542.00	-	6,542.00

$1,014,000
Flatwoods Canoe Run PSD (West Virginia)
0% Interest Rate; 40 Years from Closing Date
Closing Date: April 24, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
06/01/2040	6,542.00	-	6,542.00
09/01/2040	6,542.00	-	6,542.00
12/01/2040	6,542.00	-	6,542.00
03/01/2041	6,542.00	-	6,542.00
06/01/2041	6,542.00	-	6,542.00
09/01/2041	6,542.00	-	6,542.00
12/01/2041	6,542.00	-	6,542.00
03/01/2042	6,542.00	-	6,542.00
06/01/2042	6,542.00	-	6,542.00
09/01/2042	6,542.00	-	6,542.00
12/01/2042	6,542.00	-	6,542.00
03/01/2043	6,542.00	-	6,542.00
06/01/2043	6,542.00	-	6,542.00
09/01/2043	6,542.00	-	6,542.00
12/01/2043	6,542.00	-	6,542.00
03/01/2044	6,542.00	-	6,542.00
06/01/2044	6,542.00	-	6,542.00
09/01/2044	6,542.00	-	6,542.00
12/01/2044	6,541.00	-	6,541.00
03/01/2045	6,541.00	-	6,541.00
06/01/2045	6,541.00	-	6,541.00
09/01/2045	6,541.00	-	6,541.00
12/01/2045	6,541.00	-	6,541.00
03/01/2046	6,541.00	-	6,541.00
06/01/2046	6,541.00	-	6,541.00
09/01/2046	6,541.00	-	6,541.00
12/01/2046	6,541.00	-	6,541.00
03/01/2047	6,541.00	-	6,541.00
Total	**$1,014,000.00**	**-**	**$1,014,000.00**

Yield Statistics

Bond Year Dollars	$20,891.04
Average Life	20.603 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	8.92E-11
Bond Yield for Arbitrage Purposes	8.92E-11
All Inclusive Cost (AIC)	8.92E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.603 Years

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

April 24, 2007

Flatwoods-Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Flatwoods-Canoe Run Public Service District
Sutton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Flatwoods-Canoe Run Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $1,014,000 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated April 24, 2007, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2008, and maturing March 1, 2047, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on April 18, 2007, as supplemented by a Supplemental Resolution duly adopted by

TERRALEX®
The Worldwide Network of Independent Law Firms

the Issuer on April 18, 2007 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

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

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

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Prior Bonds all in accordance with the terms of the Bonds and the Bond Legislation.

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

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

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement and the Bond Legislation, and the liens and pledges set forth therein, may

be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion and the application of equitable remedies in appropriate cases.

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

Very truly yours,

STEPTOE & JOHNSON PLLC

04.06.07
292120.00007

H. Wyatt Hanna, III

ATTORNEY AT LAW

512 D STREET • P.O. BOX 8070 • SOUTH CHARLESTON, WEST VIRGINIA 25303
(304) 744-3150 • FAX (304) 744-3157

April 24, 2007

Flatwoods-Canoe Run PSD
Sutton, WV 26601

WV Water Development Authority
Charleston, WV

WV Infrastructure & Jobs Development
Council
Charleston, WV

Steptoe & Johnson PLLC
Charleston, WV

RE: Flatwoods-Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
West Virginia Infrastructure Fund

Ladies and Gentlemen:

I am Counsel to the Flatwoods-Canoe Run Public Service District, in Braxton County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, relating to the above-captioned bonds of the Issuer (the "Bonds"), a loan agreement for the Series 2007 A Bonds dated April 24, 2007, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the Bond Resolution duly adopted by the Issuer on April 23, 2007, as supplemented by the Supplemental Resolution of the Issuer duly adopted by the Issuer on April 23, 2007 (collectively, the "Bond Legislation"), Orders of The County Commission of Braxton County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the Bonds and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

I am of the opinion that:

1. The Issuer has been duly created and is validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation, all under the Act and other applicable provisions of law.

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

3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

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

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

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders, certificates and approvals from The County Commission of Braxton County, the Council and the Public Service Commission of West Virginia (the "PSC") and has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Recommended Decision dated January 7, 2005, a Commission Order dated November 3, 2005, and a Commission Order dated April 18, 2007, in Case No. 04-0233-PWD-CN, among other things, granting to the Issuer a certificate of public convenience

and necessity for the Project, approving the financing for the Project and approving the rates and charges for the System. The time for appeal of the Recommended Decision dated January 7, 2005, and Commission Order dated November 3, 2005, has expired prior to the date hereof without any appeal. Both Orders remain in full force and effect. The time for appeal of the Commission Order dated April 18, 2007, has not expired prior to the date hereof. The Issuer hereby certifies that it does not intend to appeal such Order. The Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant or other person not a party to the Order. The Intervenor, Birch River Public Service District, has provided the Issuer with a letter that it does not intend to appeal the April 18, 2007, Commission Order. All three (3) Orders remain in full force and effect.

7. To the best of my knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bond Legislation, the Bonds, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection of the Gross Revenues or pledge of the Net Revenues therefor.

8. Regarding the Series 2007 A Bonds, I have verified that all successful bidders have made required provisions for all insurance and payment and performance bonds and I will review such insurance policies or binders and such bonds for accuracy prior to the issuance of any Notice To Proceed. Prior to the issuance of any Notice To Proceed, I will have reviewed the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project and verified that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Bond Legislation and the Loan Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Respectfully submitted,

H. Wyatt Hanna, III

HWHIII/rb

H. Wyatt Hanna, III

ATTORNEY AT LAW

512 D STREET • P.O. BOX 8070 • SOUTH CHARLESTON, WEST VIRGINIA 25303
(304) 744-3150 • FAX (304) 744-3157

April 24, 2007

Flatwoods-Canoe Run PSD
Sutton, WV

WV Infrastructure & Jobs Development Council
300 Summers Street, Suite 980
Charleston, WV 25301

WV Water Development Authority
180 Association Drive
Charleston, WV 25311

Steptoe & Johnson PLLC
P.O. Box 1588
Charleston, WV 25326

Re: Final Title Opinion for Flatwoods-Canoe Run Public Service District

Ladies and Gentlemen:

I am Counsel to Flatwoods-Canoe Run Public Service District (the "Issuer") in connection with a proposed project to construct a potable water extension project to serve the Morrison Ridge/Poplar Ridge areas of Braxton County, West Virginia, (the "Project"), as the same is more specifically set forth in an Order issued on April 18, 2007, in Case No. 04-0233-PWD-CN (Reopened) before the Public Service Commission of West Virginia and Plans and Specifications prepared for the revised Project by Dunn Engineers, Inc., of Charleston, West Virginia. I provide this Final Title Opinion on behalf of the Issuer to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the "Council") for the revised Project. Please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing public service district possessed with all the powers and authority granted to public service districts under the laws of the State of West Virginia to construct, operate and maintain the revised Project as approved by the West Virginia Department of Health.

2. The Issuer has obtained all necessary permits and approvals for the construction of the revised Project.

3. I have investigated and ascertained the location of, and are familiar with the legal description of, the necessary sites, including easements and/or rights of way, required for the revised Project as set forth in the plans for the revised Project prepared by Dunn Engineers, Inc., the consulting engineers for the Project.

4. I have examined the records on file in the Office of the Clerk of the County Commission of Braxton County, West Virginia, the county in which the revised Project is to be located, and, in my opinion, the Issuer has acquired legal title or such other estate or interest in all of the necessary site components for the revised Project, including all easements and/or rights of way sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the revised Project.

6. All deeds, easements and rights of way which have been acquired to date by the Issuer have, or will be, duly recorded in the Office of the Clerk of the County Commission of Braxton County to protect the legal title to and interest of the Issuer.

Very truly yours,

H. Wyatt Hanna, III

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. SPECIMEN BOND
16. CONFLICT OF INTEREST
18. PROCUREMENT OF ENGINEERING SERVICES
19. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Flatwoods-Canoe Run Public Service District in Braxton County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, hereby certify on this the 24th day of April, 2007, in connection with the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund),dated the date hereof (the "Bonds"or the "Series 2007 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted April 23, 2007, and the Supplemental Resolution duly adopted April 23, 2007 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the

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

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

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

There are outstanding obligations of the Issuer which will rank on a parity with the Series 2007 A Bonds as to liens, pledge and source of and security for payment, being the (1) Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000, currently held by Rural Utilities Service (the "Series 1996 A Bonds"); (2) Water Refunding Revenue Bonds, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000, currently held by Rural Utilities Service (the "Series 1996 B Bonds"); (3) Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), dated September 24, 1998, issued in the original aggregate principal amount of $890,000, currently held by the West Virginia Water Development Authority (the "Series 1998 B Bonds"); (4) Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, issued in the original aggregate principal amount of $2,240,000 (the "Series 2001 Bonds"); (5) Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated December 8, 2005 issued in the original aggregate principal amount of $5,085,825 (the "Series 2005 A Bonds"); and (6) Water Revenue Bonds, Series 2005 B (West Virginia Infrastructure Fund), dated December 8, 2005 issued in the original aggregate principal amount of $84,180 (the "Series 2005 B Bonds") (collectively, the "Prior Bonds"). The Issuer has obtained (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the

Series 2007 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolution.

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

Bond Resolution

Supplemental Resolution

Series 2007 A Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders on the Creation and Enlargement of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution, Supplemental Resolution and First Draw Resolution

USDA Consent to Issuance of Parity Bonds

WDA Consent to Issuance of Parity Bonds

Environmental Health Services Permit

Prior Bonds Resolutions

Insurance Certificates

6. INCUMBENCY AND OFFICIAL NAME, Etc.: The proper corporate title of the Issuer is "Flatwoods-Canoe Run Public Service District" and its principal office and place of business are in Braxton County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Vacant	January 1, 2004	December 31, 2009
Eldred Drake	February 9, 2005	December 31, 2007
Johnnie James	March 10, 2006	December 31, 2012

The names of the duly elected appointed, qualified and acting officers of said Public Service Board of the Issuer for the calendar year 2007 are as follows:

Chairman - Johnnie James
Secretary/Treasure - Eldred Drake

The duly appointed and acting counsel to the Issuer is H. Wyatt Hanna, III, in South Charleston, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. 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 of the Bonds and the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of

the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation and Loan Agreement is in full force and effect.

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

11. RATES: The Issuer has received the Order of the Public Service Commission of West Virginia entered on November 3, 2005, in Case No. 04-0233-PWD-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Commission Order has expired prior to the date hereof without any appeal.

12. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Recommended Decision dated January 7, 2005, the Commission Order dated November 3, 2005, and the Commission Order dated April 18, 2007 in Case No. 04-0233-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the rates and charges for the System. The time for appeal of the Recommended Decision dated January 7, 2005 and the Commission Order dated November 3, 2005 have expired prior to the date hereof without any appeal. The time for appeal of the Commission Order dated April 18, 2007 has not expired prior to the date hereof. The Issuer hereby certifies that it does not intend to appeal such Order. Such Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to such Order. All three orders remain in full force and effect

13. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond for each series, numbered AR-1 dated the date hereof, by his or her manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate, register, and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. BOND PROCEEDS: On the date hereof, the Issuer received the sum of $28,750, from the Authority and Council, being a portion of the principal amount of the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced to the Issuer from time to time as construction of the Project progresses.

15. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Bonds.

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

17. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

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

WITNESS our signatures and the official seal of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the date first above written.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
_____	Chairman
_____	Secretary
_____	Counsel to Issuer

292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

I, Frederick L. Hypes, Registered Professional Engineer, West Virginia License No. 9327, of Dunn Engineers, Inc., Charleston, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain additions, betterments, improvements and extensions (the "Project") to the existing public waterworks system (the "System") of Flatwoods-Canoe Run Public Service District (the "Issuer"), to be constructed primarily in Braxton County, West Virginia, which acquisition and construction are being financed, in part, by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on April 23, 2007, as supplemented by the Supplemental Resolution adopted by the Issuer on April 23, 2007, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated April 24, 2007 (the "Loan Agreement").

2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; and (ii) paying costs of issuance and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the Council, and any change orders approved by the Council and the Issuer and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least forty years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A and in reliance upon the opinion of the Issuer's counsel, H. Wyatt Hanna, III, Esquire, of even date herewith, all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the Council and the bid forms provided to the bidders contained the critical operational components of the Project; (vi) the successful bids included prices for every item on such bid forms; (vii) the uniform bid

procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System; (ix) in reliance upon the certificate of Smith, Cochran & Hicks P.L.L.C., independent certified public accountants, of even date hereof, as of the effective date thereof, the rates and charges for the System as adopted by the Issuer and approved by the Public Service Commission of West Virginia will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other monies on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the Authority and the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this 24th day of April, 2007.

DUNN ENGINEERS, INC.

(SEAL)

FREDERICK L. HYPES
REGISTERED
9327
STATE OF WEST VIRGINIA
PROFESSIONAL ENGINEER

Frederick L. Hypes, P.E.
West Virginia License No. 9327

04.06.07
292120.00007

SCHEDULE B

FLATWOODS-CANOE-RUN PUBLIC SERVICE DISTRICT

A. Cost of Project	Total	IJDC
1. Construction	$ 919,000.00	$ 919,000.00
Construction Contingency	$ 60,000.00	$ 60,000.00
2. Technical Services (Dunn)*		
a. Planning	$ -	$ -
b. Design	$ -	$ -
c. Engineering/Construction	$ -	$ -
d. Special Services	$ -	$ -
3. Legal & Fiscal		
a. Legal (Hanna)	$ 7,000.00	$ 7,000.00
b. Accounting (SCH)	$ 5,000.00	$ 5,000.00
4. Administrative	$ -	$ -
5. Sites & Other Lands*	$ -	$ -
6. Miscellaneous	$ -	$ -
7. Total of Lines 1 through 6	$ 991,000.00	$ 991,000.00
B. Cost of Financing		
8. Funded Reserve Account	$ -	$ -
9. Registrar	$ 500.00	$ 500.00
10. Bond Counsel	$ 22,500.00	$ 22,500.00
11. Cost of Financing (Lines 9 through 10)	$ 23,000.00	$ 23,000.00
12. Total Cost of Project (line 7 plus line 11)	$ 1,014,000.00	$ 1,014,000.00
C. Source of Funds		
13. Federal Grants	$ -	$ -
14. State Grants	$ -	$ -
15. Any Other Source	$ -	$ -
16. Total of Lines 14 through 16	$ -	$ -
17. Net Proceeds form Bond Issue (line 12 minus Line 16)	$ 1,014,000.00	$ 1,014,000.00

*Paid with Series 2005 A Proceeds and SCBG

FLATWOODS CANOE RUN PSD — Date: 4/23/04

DUNN ENGINEERS — Date: 18 April 2007

Smith, Cochran & Hicks, P.L.L.C.
Certified Public Accountants Beckley Bridgeport Charleston Montgomery
405 Capitol Street ● Suite 908 ● Charleston, West Virginia 25301 ● 304-345-1151 ● Fax 304-346-6731

April 24, 2007

Flatwoods-Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Flatwoods-Canoe Run Public Service District
Sutton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges set forth in the Order of the Public Service Commission of West Virginia in Case No. 04-0233-PWD-CN, entered November 3, 2005, the projected operating expenses and the anticipated customer usage as furnished to us by Dunn Engineers, Inc., the Consulting Engineer to Flatwoods-Canoe Run Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient, together with other revenues of the waterworks system (the "System") of the Issuer to pay all Operating Expenses of the System and to leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007A Bonds"), and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds, as defined in the Bond Resolution.

It is further our opinion that (i) the Net Revenues for the Fiscal Year following the year in which the Series 2007 A Bonds are issued will not be less than 120% of the average annual debt service on the Series 2007 A Bonds and the Prior Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2007 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2007 A Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Series 2007 A Bonds and the Prior Bonds.

Very truly yours,

Smith Cochran & Hicks

Smith, Cochran & Hicks, P.L.L.C.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairman of the Public Service Board of Flatwoods-Canoe Run Public Service District in Braxton County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $1,014,000 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, dated April 24, 2007 (the "Series 2007 A Bonds" or "Bonds"), hereby certify on this the 24th day of April, 2007, as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution duly adopted by the Issuer on April 23, 2007 as supplemented by Supplemental Resolution duly adopted by the Issuer on April 23, 2007 (collectively, the "Bond Resolution"), authorizing the Bonds.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on April 24, 2007, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal of the Series 2007 A Bonds and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2007 A Bonds were sold on April 24, 2007, to the Authority, pursuant to a loan agreement dated April 24, 2007, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of $1,014,000 (100% of par), at which time, the Issuer received $28,750 from the Authority and the Council, being a portion of the principal amount of the Series 2007 A Bonds. No accrued interest has been or will be paid on the Series 2007 A Bonds. The balance of the principal amount of the Series 2007 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2007 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Bonds and related costs.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the acquisition and construction of the Project, constituting a substantial binding commitment. The acquisition and construction of the Project and the allocation of proceeds of the Bonds to expenditures for costs of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in Series 2007 A Bonds Reserve Account, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the acquisition and construction of the Project on or before June 1, 2008. The acquisition and construction of the Project is expected to be completed by December 1, 2007.

8. The total cost of the Project is estimated at $7,599,825. The Issuer has already financed $6,585,825 of the costs of the Project through the issuance of its Series 2005 A Bonds in the amount of $5,085,825, the issuance of its series 2005 B Bonds in the amount of $84,180 and receipt of a $1,500,000 Small Cities Block Grant. Sources and uses of funds for the completion of the Project are as follows:

SOURCES	
Gross Proceeds of the Series 2007 A Bonds	$1,014,000
Total Sources	$1,014,000
USES	
Acquisition and Construction of Project	$991,000
Costs of Issuance	$23,000
Total Uses	$1,014,000

9. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2007 A Bonds:

(1) Revenue Fund (established by Prior Resolutions);

(2) Operation and Maintenance Account (established by Prior Resolutions);

(3) Renewal and Replacement Fund (resulting from the combination with the Renewal and Replacement Account and Depreciation Fund established by Prior Resolution);

(4) Series 2007 A Bonds Construction Trust Fund;

(5) Series 2007 A Bonds Sinking Fund; and

(6) Series 2007 A Bonds Reserve Account.

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

A. From the proceeds of the Series 2007 A Bonds, there shall first be deposited with the Commission in the Series 2007 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2007 A Bonds for the period commencing on the date of issuance of the Series 2007 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2007 A Bonds, there shall be deposited with the Commission in the Series 2007 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2007 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2007 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2007 A Bonds Construction Trust Fund and applied solely to payment of the costs of the acquisition and construction of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2007 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2007 A Bonds shall be applied as directed by the Council.

11. Monies held in the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2007 A Bonds and will not be available to meet costs of acquisition and construction of the Project. Monies in the Series 2007 A Bonds Reserve Account will be used only for the purpose of paying principal of and interest, if any, on the Series 2007 A Bonds as the same shall become due, when other monies in the Series 2007 A Bonds Sinking Fund are insufficient therefor. All investment earnings on monies in the Series 2007 A Bonds Sinking Fund and Series 2007 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2007 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

12. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. The acquisition and construction of the Project is expected to be completed within 7 months of the date hereof.

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

14. With the exception of the amount deposited in the Series 2007 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the acquisition and construction of the Project within 13 months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

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

17. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

18. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

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

20. The Issuer shall use the Bond proceeds solely for the costs of the acquisition and construction of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

21. The Bonds are not federally guaranteed.

22. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain governmental or public purpose bonds.

23. The Issuer has either (a) funded the Series 2007 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due, on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2007 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2007 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due, on the Bonds in the then current or any succeeding year. Monies in the Series 2007 A Bonds Reserve Account and the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the acquisition and construction of the Project.

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

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

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

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

WITNESS my signature on the day and year first above written.

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

292120.00007

//

The following claims were issued-----General County Fund

743	State Auditor	Social Security Oct.,Nov.,Dec.,1966	[illegible]
744	Director of Internal Revenue	Withholding, Oct.,Nov., Dec., 1966	[illegible]
745	State Tax Commissioner	State Tax, Oct.,Nov.,Dec., 1966	[illegible]
746	W.Va. Publ Employ Ret. System	Employee Contribution	[illegible]
747	W.Va. Publ.Employ Ret. System	Employer Contribution	[illegible]
748	H. O. Given	Coroners Fee	[illegible]
749	Merlene Campbell	Extra Help,Cir. Clerk less 3.32 SS	[illegible]
750	Forrest Groves	Jury Commissioner	[illegible]
751	Joseph Gregory	Jury Commissioner	[illegible]
752	Henry E Hardesty, Inc.	Insurance for Sheriff	[illegible]
753	Shirley Conrad	Extra Help, Election	[illegible]
754	Richard Gibson	Mileage	[illegible]
755	Edward Helsick	Mileage	[illegible]
756	William M. Kidd	Copy of Marriage	[illegible]
757	William W. Jack	Postage	[illegible]
758	Braxton Central	Printing	[illegible]
759	Braxton Democrat	Printing	[illegible]

//

No further business coming before the Court they do now adjourn to meet January 3, 1967.

Herbert Moore President

JANUARY 3, 1967

The County Court met pursuant to their last regular meeting of December 22, 1966.

Present, Herbert Moore, Aubrey Robertson and Berk D. Marple.

The Court re-organized by electing Herbert Moore, President for the ensuing year.

//

The Court voted to meet the 1st Tuesday of each month from nine o'clock A.M. to four o'clock PM.

//

Herbert Moore was elected a member of the Western District Guidance Clinic Committee.

//

A motion was made seconded and voted on to buy a 1963 Mercury Comet car from Bruce Stutler for $1600.00. Pay his $25.00 rent per month until July and the amount paid for rent to be deductible from the $1600.00 and the balance paid in July.

//

Aubrey C. Robertson was elected a member of the Braxton County Planning Commission.

//

//

The County Court set February 1, 2, 3, 6, 9, 10, 13 and 14th to meet as a Board of Equalization. Any assessment made by the Assessor and not objected to at their meetings will be final after adjournment of the Board.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
CANOE RUN PUBLIC SERVICE DISTRICT.

WHEREAS, on the 10th day of December, 1966, came Jenivar J. Jones, Attorney at Law, and presented a Petition of approximately one hundred fifteen, (115), legal voters resident within the limits of the proposed Canoe Run Public Service District, and moved the Court to file said Petition and to fix a date of hearing in Braxton County, West Virginia on the creation of the proposed public service district: and,

WHEREAS, and being proper so to do, this Court on the 10th day of December, 1966 unanimously sustained said motion, and also on its own motion, ordered the Clerk of this Court to have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia stating, in part and in substance, that the public hearing before this Court would be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 3rd day of January, 1967, starting at 1:00 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed public service district, for or against its creation, and at said hearing this Court would consider and determine the feasibility of the creation of the proposed public service district and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, the Clerk of this Court caused to have published in the Braxton Democrat, in the issues of December 15th and 22nd, 1966 the following notice, namely:

"LEGAL PUBLICATION

NOTICE OF PUBLIC HEARING FOR
CREATION OF CANOE RUN PUBLIC
SERVICE DISTRICT

NOTICE TO ALL PERSONS RESIDING
IN, OR OWNING, OR HAVING ANY
INTEREST IN PROPERTY IN THE
PROPOSED CANOE RUN PUBLIC
SERVICE DISTRICT:

You are hereby notified that pursuant to an order entered on the 10th day of December 1966, by the County Court of Braxton County, West Virginia, the County Court of Braxton County, West Virginia will hold a public hearing in the Courthouse at Sutton in Braxton County, West Virginia starting at 1:00 o'clock p.m., on the 3rd day of January 1967, for the purpose of hearing any and all persons residing, or owning or having any interest in property, in the proposed public service district, for or against its creation, and at said hearing said County Court shall consider and determine the feasibility of the creation of the proposed district and shall determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area: that a Petition was officially filed with said County Court on the 10th day of December, 1966 of approximately one hundred fifteen (115) legal voters resident within the owning real property within the limits of the proposed public service district; that the territory to be embraced within said proposed public service

District is [illegible]

commencing at the Town of Gassaway immediately adjacent to the area in said Town of Gassaway immediately adjacent to the area in said Town of Gassaway presently serviced by the West Virginia Water Service Company, the centerline to be Elk River and extending on each side of Elk River for a distance of two miles, and going upstream of said Elk River through a portion of said Otter District to and terminating at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, or its successor in title and in name.

Given under my hand this 10th day of December, 1966.

William W. Jack,
Clerk of the County Court of
Braxton County, West Virginia.

Dc Dec. 15-22"; and,

WHEREAS, this Court convened on this the 3rd day of January, 1967, at one of its regular sessions, and starting at 1:00 o'clock, P.M. proceeded to hear and to hold, said public hearing for the reasons aforesaid, for the reasons stated in said notice, and for reasons as provided by the applicable statutes and laws of the State of West Virginia: and,

Whereas, this Court heard all persons for and against the creation of said proposed public service district: and, after mature consideration this Court is of the opinion that said proposed public service district should be created, the creation of such proposed public district being feasible, and being conducive to the preservation of public health, comfort, and convenience of such area: and,

WHEREAS, no written protest was filed by anyone against said proposed public district.

It is, therefore, hereby ordered that there be, and hereby is, created a public service district, to be called and known as the Canoe Run Public Service District: that the territory to be embraced within said public service district is located in the magisterial district of Otter in Braxton County, West Virginia, commencing at the Town of Gassaway immediately adjacent to the area in said Town of Gassaway presently serviced by West Virginia Water Service Company, the center line to be Elk River, and extending on each side of Elk River for a distance of two miles, and going upstream of said Elk River through a portion of said Otter Magisterial District, to and terminating at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, or its successor in title and name, that said Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia as made and provided therefor; and that said Canoe Run Public Service District, in compliance with Chapter 16, Article 13-A, Section 3, (Michie's Code Serial Section 1409 (38C)) shall be from the date hereof a public corporation and political subdivision of the State of West Virginia with power of perpetual succession.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
CANOE RUN PUBLIC SERVICE DISTRICT.

On the 3rd day of January, 1967, at one of its regular sessions, and after this Court had by a prior order created the Canoe Run Public Service District, this Court enquired of and ascertained, the persons present to recommend three persons to serve on and to constitute the board of said district.

Whereupon, the persons present unanimously recommended that Perris Bragg of Gassaway, William Abruzzese of Gassaway, and Wallace Clemmer of Gassaway, be appointed such board members.

It is therefore, ordered that Perris Brady, William Abruzzino, and Wallace Clowser, be, and hereby are, appointed board members of the Canoe Run Public Service District, and that Wallace Clowser shall serve for a term of two years, and that William Abruzzino shall serve for a term of four years, and that Perris Brady shall serve for a term of six years as such board members of said district, all starting on the first day of January 1967, for their respective terms of office; and that said three members of said board shall meet at the office of the Clerk of the County Court of Braxton County, West Virginia as soon as practicable after this appointment and shall qualify by taking the oath of office as provided by law.

//

The Court re-approved the budget of the County Clerk originally approved by the Court for fiscal year starting July 1966, said budget approved a $30.00 per month raise for office deputies of said Clerk's Office. Said budget was approved for the remainder of the 1966-67 fiscal year, after a letter was read from the State Tax Commissioner approving this. The raise originally approved by the Court had not been taken. Letter from the Tax Commissioner is as follows: This would make a salary of $375.00 per month.

Mr. William W. Jack, Clerk
Braxton County Court
Sutton, W. Va.

Dear Mr. Jack

This will acknowledge receipt of your letter dated December 27, 1966, relative to the revision of your Levy Estimate (Budget) for the fiscal year 1966-67. You wish to make the following revisions: Decrease: Item 28, Courthouse expense, $400.00; Item 38, Furniture and Fixtures, $1,000; Item 39, Telephone and Telegrams, $300; Item 44, Lunacy, $500; Increase Item 2, Deputy Clerks County Court, Assistants and Employees, $1200; Item 8, Deputy Sheriffs, Assistants and Employes $1200.

Under the provisions of Chapter 11, Article 8, Sections 14b, 26 and 26a, of the West Virginia Code, as amended, the Tax Commissioner may authorize the revision of the annual approved Levy Estimates to permit expenditures for purposes for which no, or insufficient, appropriation was made in the original Levy Estimate. In view of these provisions of the Code, this department will not disturb the proposed use of funds, provided such expenditures are made in good faith, and further provided such expenditures do not create a deficit for the Braxton County Court for the fiscal year ending June 30, 1967.

Very truly yours,

Fairfax Brown, Director
Assessment and Levies.

//

The following claims were issued--------General County Fund

760	Hall & McChesney	Fume Flex Recording and storage	89.22
761	Jack Insurance Agency	Premium on Bonds	226.00
762	Charles W. Clayton	Mileage	15.20
763	William W. Jack	Postage	17.25
764	Ruby L. Holland	Mileage	19.39
765	Kyer Insurance Agency	Insurance Premium	81.00
766	Braxton Co. Health Dept.	Transfer of Funds	125.00
767	Eugene Pasquire "	Per Diem 12/10 & 12, 1966	4.00
768	Herbert Moore	Per Diem " " " "	4.00
769	Beatrice Given	Per Diem " " " "	4.00

I, John R. Jordan, Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 15 at page No. 189

Given under my hand and the seal of said Commission this 26th day of October, 19 90.

John R. Jordan, Clerk
Braxton County Commission

COUNTY PRINTING CO., BUCKHANNON, W. VA. — NE CROSS NO. 800-14

[redacted]

[redacted]

MAY 29, 1967

At a Special Meeting of the County Court of Braxton County, West Virginia on the 29th day of May, 1967, all members in attendance.

//

Resolved that the Court accept the bid for the construction of the Braxton County Airport by Kenton Meadows Co. a corporation and Meadows Stone and Paving, a corporation submitted December 22, 1966, which acceptance of bid is subject to the approval of the F. A. A. and further subject to the wage division dated February 2, 1967 and designated A. G. 1160.

All members present voting in the affirmative said resolution is unanimously adopted.

//

It is ordered this Court do now adjourn to meet June 6, 1967.

Herbert Moore President

JUNE 6, 1967

The County Court met pursuant to their last meeting of May 29, 1967.

Present, Herbert Moore, President, Aubrey Amerison and B. D. Marple, Commissioners.

//

The minutes of the last meeting were read and approved.

//

All bills were approved as presented.

//

The County Court allowed the Janitor, Paul Goldsmith, an additional $30.00 per month salary.

//

The Home National Bank of Sutton, W. Va. and the Bank of Gassaway, Gassaway, W. Va. were approved as County Depositories and their bonds were approved as to sufficient form and amounts and ordered recorded and filed.

//

The County Court agreed to pay the Orkin Exterminating Co., Inc. for service a year at a time and receive a 5% discount.

//

The Court approved the Sheriffs' Delinquent List for Real Estate and Personal Property.

//

The Clerk of this Court having on the 16th day of May, 1967, and during a recess of the regular term of this Court qualified Dice Steele for appointment as Notary Public in and for the County of Braxton, and the said Dice Steele having given bond as required by Law and there being no objections thereto the same is confirmed by this Court.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
FLATWOODS PUBLIC SERVICE DISTRICT

On the 6th day of June, 1967, came Jenivar J. Jones, Attorney at Law, and presented a Petition of approximately one hundred ten, (110), legal voters resident within the limits of the proposed Flatwoods Public Service District, and moved the Court to file said Petition and to fix a date of hearing in Braxton County, West Virginia, on the creation

of the proposed public service district.

Wherefore, and being proper so to do, it is hereby ordered, in this regular session of this Court, that a public hearing shall be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 5th day of July, 1987, starting at 10:00 o'clock, A.M., for the purpose of hearing any and all persons residing in, or owning, or having any interest in property in such proposed public service district for or against its creation and at said hearing this Court shall consider and determine the feasibility of the creation of the proposed public service district and shall determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area.

It is further hereby ordered that the Clerk of this Court shall cause notice of said hearing to be published at least once in a newspaper of general circulation published in Braxton County, West Virginia; the first publication thereof to be at least ten days prior to said hearing, and in said notice said Clerk shall set forth a description of all of the territory proposed to be included therein, and shall set forth in said notice the purpose of said hearing as hereinbefore set out in this order.

It is hereby further ordered that the costs of said notice shall be paid for by the Petitioners, or someone for them, without any cost to this Court.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN RE: THE MATTER OF TRANSFER OF THE PROPERTY IN THE LAND BOOKS OF BRAXTON COUNTY IN THE NAME OF HENDAL HACK.

TO

O R D E R

WANDA DUFFIELD, CHILD AND HEIR AT LAW OF JOHN HENDAL HACK, DECEASED.

This day came the Petitioner, WANDA DUFFIELD, by her counsel, JENIFER J. JONES, and presented her Petition, and moved this Court to list and show in the Land Books of Otter District, Braxton County, West Virginia, the proper and correct interest of the Petitioner in the real estate now listed in the name of Hendal Hack, who is now deceased, and who died intestate on the 28th day of April, 1984, and there being no objections to said motion, and the Court being of the opinion that said motion should be granted, it is, therefore, ORDERED, that said property now listed in the name of HENDAL HACK in said Braxton County be hereafter listed in the name of this Petitioner, as set out in said Petition, and which shall be listed by the Assessor of Braxton County as follows:

The complete interest in ten (10) certain tracts or parcels of land, situate on the waters of Buffalo, Otter District, in the name of HENDAL HACK, namely: 74 acres, 50 acres, 28.1 acres, 1 acre, 13 acres, 34.4 acres, 4.3 acres, 33.25 acres, 33.75 acres and 65.5 acres; and an undivided one-half (1/2) interest now listed on said land books in the names of MARY DUCKWORTH and HENDAL HACK, a tract of 32.36 acres; and an undivided one-half (1/2) interest in six (6) certain tracts or parcels of land conveyed to HENDAL HACK by FRANK L. SHACK, widow, by deed dated November 18, 1943, and of record in the Office of the Clerk of the County Court of said Braxton County, in Deed Book No. 109, at Page 703, all six tracts being as follows: 3.3 acres, 65 acres, 1 acre, 40 acres, and 30 acres; and all of said real estate being situate on the waters of Buffalo, in Otter District, Braxton County, West Virginia.

The reason for the transfer being that JOHN HENDAL HACK, deceased, died intestate, leaving surviving his one child and heir at law, the Petitioner herein, WANDA DUFFIELD, who

I, John D. Jordan, Clerk of the County Commission of Braxton County West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 15 at page No. [illegible]

Given under my hand and the seal of said Commission this 29th day of October 19 90

John D. Jordan SS Clerk
Braxton County Commission

QUALITY PRINTING CO., BUTTON, W. VA. — NO. CROSS NO. [illegible]

JULY 1, 1987

The County Court met pursuant to their last meeting of June 1, 1987

Present, Herbert Moore, President, Aubrey Robertson and E. D. Marple, Commissioners

//

The minutes of the last meeting were read and approved .

//

All bills were approved as presented.

//

The County Court passed the following resolution:

Be it resolved that the County Court approved the Community Shelter plan for Braxton County and requested the distribution of same to all residents of Braxton County.

//

The County Court requested the County Civil Defense director to request funds from the state (C.D.) to print and mail the community shelter plan.

//

The County Court requested that the doors to the Courthouse be left open on Saturday so the public could use the rest rooms/

//

On July 1, 1987, at a regular meeting of the Court, Norman H. Frame, member of the Sugar Creek Public Service District, tendered his resignation as a member of the board of the Sugar Creek Public Service District for the reason of his illness, and the other members of board of the Sugar Creek Public Service District recommended that this Court appoint Garnett James as member of the board of the Sugar Creek Public Service District to serve for the unexpired term of Norman H. Frame as such member of said district, the said Norman H. Frame having been appointed for a term of six (6) years starting on January 1, 1986,

The resignation of Norman H. Frame is hereby accepted and this Court hereby appoints Garnett James to serve for the unexpired term of Norman H. Frame as member of the board of the Sugar Creek Public Service District, said term to expire on January 1, 1992, and that said Garnett James, as soon as possible after this appointment, shall qualify by taking the oath of office as provided by law.

Entered this 5th day of July, 1987.

The said Garnett James qualified .

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
PLATTSVILLE PUBLIC SERVICE DISTRICT.

WHEREAS, on the 8th day of June, 1987, came Jackson J. James, Attorney at Law, and presented a Petition of approximately one hundred ten, (110), legal voters resident within the limits of the proposed Plattsville Public Service District, and moved the Court to file said and to fix a date of hearing in Braxton County, West Virginia, on the creation of the proposed public service district; and,

WHEREAS, and being proper so to do, this Court on the 8th day of June, 1987, unanimously sustained said motion, and also on its own motion, ordered the Clerk of this Court to have published at least once a notice of a public hearing in a newspaper of general publication in Braxton County, West Virginia, stating, in part and in substance, that the public hearing before this Court would be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 3th day of July, 1987, starting at 10:30 o'clock, A. M., for the purpose of hearing any and all persons residing in, or owning, or having any interest in property

in said proposed public service district, for or against its creation, and at said hour of this Court would consider and determine the feasibility of the creation of the proposed public service district and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, the Clerk of this Court caused to have published in the Braxton Democrat in the issues of June 13th and 22nd, 1987, the following notice, namely:

"NOTICE OF PUBLIC HEARING
ON CREATION OF FLATWOODS
PUBLIC SERVICE DISTRICT

NOTICE TO ALL PERSONS RESIDING IN, OR OWNING, OR HAVING ANY INTEREST IN PROPERTY IN THE PROPOSED FLATWOODS PUBLIC SERVICE DISTRICT:

You are hereby notified that pursuant to an order entered on the 8th day of June, 1987, by the County Court of Braxton County, West Virginia, the County Court of Braxton County, West Virginia will hold a public hearing in the Courtroom at Sutton, in Braxton County, West Virginia starting at 10:30 o'Clock, A. M. on the 5th day of July, 1987, for the purpose of hearing any and all persons residing in, or owning, or having any interest in property in the proposed public service district, for or against its creation, and at said hearing said County Court shall consider and determine the feasibility of the creation of the proposed district and shall determine whether or not the constructing or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area; that a Petition was officially filed with said County Court on the 8th day of June, 1987 of approximately one hundred (ten, (110), legal voters resident within and owning real property within the limits of the proposed public service district; that the territory to be embraced within said proposed public service district is located in three of the magisterial districts of Holly, Otter and Salt Lick, in Braxton County, West Virginia, commencing at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, the centerline to be Granny's Creek, and tributaries of Salt Lick Creek and extending on each side of Granny's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, paralleling U. S. Route No. 19, a distance of two miles and terminating one mile north of the Village of Heaters in Salt Lick District.

Given under my hand this 8th day of June, 1987.

William H. Jack,
Clerk of the County Court of
Braxton County, West Virginia

On June 13-22nd; and,

WHEREAS, this Court convened on this the 5th day of July, 1987, at one of its regular sessions, and starting at 10:30 o'clock, A.M. Proceeded to have, and to hold said public hearing for the reasons aforesaid, and for the reasons stated in said notice, and for reasons as provided by the applicable statutes and laws of the State of West Virginia; and,

WHEREAS, the Court heard all persons for and against the creation of said Flatwoods Public Service District, and considered the feasibility of the creation of the proposed district, and the matters applicable to the creation of said proposed public service district being feasible, and being conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, no written protest was filed or before signed said petitions for a district.

This Court on its own motion, and also based upon the said Petition, hereby orders that there be, and hereby is, created a public service district, to be called and known as the Flatwoods Public Service District; that the territory to be embraced within said public service district is located in three of the magisterial districts of Holly Creek and Salt Lick, in Braxton County, West Virginia, commencing at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company the center line to be Graney's Creek and tributaries of Salt Lick Creek, and extending on each side of Graney's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, paralleling U. S. Route No. 19, a distance of twenty miles and terminating one mile north of the Village of Heaters in Salt Lick District; that said Flatwoods Public Service District shall have all such powers as are provided by the statutes and laws of the State of West Virginia to make and provides therefor; and that said Flatwoods Public Service District, in compliance with Chapter 16, Article 13-A, Section 1 (Michie's code formerly serial section 1089 (38 C), and with the laws of this State, shall be from the date hereof a public corporation and political subdivision of the State of West Virginia with power of perpetual succession.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
FLATWOODS PUBLIC SERVICE DISTRICT,

On the 3rd day of July, 1967, at one of the regular sessions, and after this Court had by a prior order this day created the Flatwoods Public Service District District, this Court enquired of, and requested, the persons present to recommend three persons to serve on and to constitute the board of said district.

Thereupon, the persons present unanimously recommended that L. W. O'Neil of Heaters, W. Va., Max J. Lockard of Flatwoods, W. Va., and Charles E. Lloyd of Flatwoods, W. Va., be appointed such board members.

It is, therefore, ordered that L. W. O'Neil, Max J. Lockard and Charles E. Lloyd, be, and hereby are, appointed board members of the Flatwoods Public Service District, and that L. W. O'Neil shall serve for a term of two years, that Max J. Lockard shall serve for a term of four years, and that Charles E. Lloyd shall serve for a term of six years as such members of said district, all terms of office starting as the 1st day of January, 1967 for their respective terms of office; and that said terms members shall meet at the office of the County Clerk of Braxton County, West Virginia as soon as practicable after this appointment and shall qualify by taking the oath of office as provided by law.

The above members took the oath of office.

//

It appearing to the Court, the Prosecuting Attorney being present, that Pearl Byrne was charged on the Personal Property Books of said County for the year 1966, in Sutton Corporation, with one 1963 Pontiac Catalina four door automobile, valued at $2100.00, and household furniture valued at $300.00, were in fact on the 1st day of July, 1963, and should have been assessed and charged on the Personal Property Books of said county, in Sutton Corporation, which one 1957 Chevrolet two door automobile, valued at $100.00, and household furniture valued at $300.00. It further appearing to the Court that said Personal Property by reason of the improper assessment of said automobile caused the said Pearl Byrne to pay the sum of 13.03 more

RESOLUTION AUTHORIZING THE COUNTY OF BRAXTON, WEST VIRGINIA, TO PARTICIPATE IN A PLANNING ASSISTANCE PROGRAM AS SET FORTH IN THE FEDERAL HOUSING ACT OF 1954, AS AMENDED, AND AUTHORIZING THE PRESIDENT OF THE COUNTY COURT TO EXECUTE AN AGREEMENT WITH THE WEST VIRGINIA DEPARTMENT OF COMMERCE, AND PROVIDING FOR THE PAYMENT BY THE COUNTY OF ITS SHARE OF THE COST OF THE PROGRAM.

WHEREAS, The County Court of Braxton County has signified its interest and willingness to participate in a Planning Assistance Program as set forth in the Federal Housing Act of 1954, as amended, and further has signified its interest, willingness and ability to pay its share of the cost of such program, and

WHEREAS, it is now necessary for the County Court to enter into an agreement with the State of West Virginia, acting by and through its Department of Commerce in connection with the Planning Assistance Program as set forth in the Federal Housing Act of 1954, and to provide for the payment of the County's share in connection with the same.

NOW THEREFORE BE IT RESOLVED BY THE COUNTY COURT OF BRAXTON COUNTY:

FIRST: The Court hereby authorizes and agrees for the County of Braxton to participate in a planning assistance program as set forth in the Federal Housing Act of 1954, as amended, and designates the Planning Commission of the County of Braxton as the County agency to represent the County in connection with such program.

SECOND: The Court hereby authorizes and directs the President of the County Court of Braxton County to execute on behalf of the County an agreement between the State of West Virginia by its Department of Commerce and the said County providing for local planning assistance.

THIRD: The Court authorized and directs the payment from funds heretofore budgeted for such purposes the sum of Two Thousand Eight Hundred and No/100 ($2,800.00) within thirty (30) days from the date hereof, said sum being a portion of the County's full share of the costs of the aforesaid Planning Program. The Court further signifies its intentions to budget for and provide the balance of its costs of such planning program during July of the fiscal year(s) 1968 - 1969, and 1969 - 1970, being installments of Two Thousand Eight Hundred and No/100 ($2,800.00 Dollars each.

//

It appearing to the Court there will not be sufficient money in the Sheep Fund with which to pay all claims presented for the loss of sheep, it is ordered that the clerk of this court immediately pay from said fund the cost in full of each specimen as stated in each separate claim, and that he procure all claims for the loss of sheep and pay the same from the revenue of the money in the sheep fund as of the 5th day of July, 1967, thereby expending said entire revenue.

STATE OF WEST VIRGINIA,

Braxton County, ss

I, John D. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the photostatic records in my office, the same appearing in General Order Book No. 15 at page No. 420

Given under my hand and the seal of said Commission this 18th day of October 19 88

John D. Jordan
Clerk County Commission

Fiscal Order Book No. 5 / Page [illegible]

3024	Braxton Democrat	Printing	[illegible]
3023	Robertson Funeral Home	Ambulance Service	[illegible]

//

The following Claim was issued.....Dog Fund

905	Cecil Rose	Dog Warden Expense	[illegible]

//

The following Claims were issued.....Justice Fund

510	Braxton Co. Cl. Com. County Fund	Transfer of Funds	[illegible]
511	M. O. Given	Justice	[illegible]

//

The Court adjourned to meet December 16 with the Civil Defense.

Herbert Moore President

DECEMBER 16, 1967

The County met pursuant to their last meeting of December 3, 1967.

Present Herbert Moore, President, Aubrey Robertson and E. O. Murphy, Commissioners.

//

The Court met with the Civil Defense Organization for training.

//

The Court adjourned to meet January 2, 1968.

Herbert Moore President

JANUARY 2, 1968

The County Court met pursuant to their last meeting of December 16, 1967.

Present, Herbert Moore, President and E. O. Murphy, Commissioner.

The Court reorganized by electing Herbert Moore, President for the ensuing year

They will meet the first Tuesday of each month.

//

The minutes of the last meeting were read and approved.

//

All bills were approved as presented.

//

Rev. Moore, Rev. Kahn and Mr. and Mrs. William Hopkins appeared before the Court requesting funds for Sutton and Gassaway libraries. They agreed to come back at the February meeting when the Court would know more about their funds.

//

Dec. 23, 1967
Burnsville, W. Va.

Commissioners of the County Court of Braxton County
Sutton, West Virginia,

Dear Sirs:

Due to the fact that there is no longer a local Justice of Peace for me to serve as Constable, I hereby [illegible]

and ask that you release the company who has furnished my bond in this capacity. I now d like to resign effective January 1, 1968

Please notify Eugene "Red" Collins, Box 121, Glenville, West Virginia, the agent for Ohio Farmers Insurance Company of the release of said bond as of Jan. 1, 1968.

Yours Respectfully,

E. C. Hester.

The County Court accepted the resignation of E. C. Hester as constable of Sell District.

Mr. Hesters' bonding company is hereby relieved of any further liability as of that date.

//

The County Court appointed Earl Marplesand Raymond Nottingham four years term as Hospital Trustees. N. R. Hamric and George Floody have two years yet to serve. As the President of the County Court is the fifth member.

The appointment of the two new trustees will be effective February 12, 1968

//

The Braxton County Court will receive bids up to February 1, 1968, 11:00 a.m. at the County Court office Braxton County Courthouse, Sutton, West Virginia.

The Court will receive bids for a rental lease to operate the Braxton County Airport near Sutton, West Virginia. The Court will expect the operator of the airport to furnish the services necessary for the for the operation of this airport to serve the public on a full time basis. They shall have available necessary personnel to service incoming aircraft.

The bids should be based on a percentage of the gross sales of the airport operations. All bidders should furnish a detailed statement of what they expect to furnish and describe the manner in which they expect to operate the airport. All bids shall be accompanied with a certified check or performance bond in the amount of $2,500.00. The length of the agreement will be negotiated between the successful bidder and the court before the award is made.

The Braxton County Court reserves the right to reject any and all bids.

//

The Court set the following fees for the registrars.

$10.00 for day of instruction, $10.00 a day of sitting, .15¢ for each new name, .08¢ checkers on book for all names, .07¢ mileage to and from meeting and returning books, .07¢ mile to and from meeting for instructions and returning books not to exceed $3.00 mileage for any one day.

//

IN THE MATTER OF SUGAR CREEK PUBLIC SERVICE DISTRICT

It appearing to the Court that John W. Hamric was appointed a member of the Sugar Creek Public Service District on the 13th day of March, 1966, for a term of two years, and it appearing to the Court that under the statutes and laws of the State of West Virginia any term so expiring must be filled in the month of January, it is therefore, ordered that John W. Hamric be, and hereby is, appointed as a Board Member of the Sugar Creek Public Service District; and that John W. Hamric shall serve for a term of six (6) years starting from this date, January 2, 1968, and shall serve until January 1974, or until a successor member has been appointed in his place and he shall as soon as practicable after this appointment qualify by taking an oath of office as provided by law.

//

IN THE MATTER OF THE CONSOLIDATION OF FLATWOODS PUBLIC SERVICE DISTRICT AND CANOE RUN PUBLIC SERVICE DISTRICT.

It appearing necessary, feasible and proper to consolidate the Flatwoods Public Service District and the Canoe Run Public Service District, and deeming it necessary, feasible and proper so to do, and the officers of both of said districts being of the same opinion and requesting same to be so done, this Court, on its own motion, hereby orders and directs that the Flatwoods Public Service District and the Canoe Run Public Service District be, and hereby are forthwith this day consolidated as one public service district.

It is further ordered that Ferris K. Brady, Max J. Lockard and Charles R. Lloyd be, and they hereby are, appointed board members of the consolidated districts, which consolidated districts shall forthwith be, and hereby are, one public service district, which shall be named and known as the "FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT"; and that Ferris K. Brady shall serve for a term of six years, that Max J. Lockard shall serve for a term of four years, and that Charles R. Lloyd shall serve for a term of two years as members of said Flatwoods-Canoe Run Public Service District, all terms of office starting as of the 1st day of January, 1968, for their respective terms of office; and that said three members shall meet at the office of the Clerk of the County Court of Braxton County, West Virginia as soon as practicable after this appointment and shall qualify by taking the oath of office as provided by law.

It is further ordered the three board members herein named after their qualification shall forthwith be the governing body of said Flatwoods-Canoe Run Public Service District and the board members heretofore appointed by this Court in each of the two former public service districts, the Flatwoods Public Service District and the Canoe Run Public Service District shall have no further authority in respect to their respective former districts and in respect to the new consolidated public service district.

//

IN RE:
THE MATTER OF TRANSFER OF
THE PROPERTY IN THE LAND
BOOKS OF BRAXTON COUNTY
IN THE NAME OF C. B. AND
MANIE LLOYD

TO

MARY L. BRAWN,
MABEL L. JOHNSON,
J. W. LLOYD,
ELLA M. HOLCOMB,
CHARLES H. LLOYD and
HELEN GRAY

This day came the Petitioners, MARY L. BRAWN, MABEL L. JOHNSON, J. W. LLOYD, ELLA M. HOLCOMB, CHARLES H. LLOYD, and HELEN GRAY, by their Counsel, Jenifer J. Jones, and presented their Petition, and moved said Court to list and show in the Land Books of Otter District, Braxton County, West Virginia, the proper and correct undivided interest of each of those Petitioners in the real estate, being the Coal, Oil and Gas, now listed in the names of C. B. Lloyd and Manie Lloyd, who are now both deceased, and who both died intestate and there being no objection to said motion, and the Court being of the opinion that said motion should be granted, it is therefore, ORDERED that said property now listed in the names of C. B. Lloyd and Manie Lloyd in said Braxton County be hereafter listed in the names of those Petitioners in respect to their respective undivided interest of each Petitioner as specifically mentioned and set out in said Petition, and which shall be listed by the Assessor of Braxton County as follows:

I, John J. Jordan, Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 15 at page No. 447

Given under my hand and the seal of said Commission this 26th day of [illegible] 19 90

John J. Jordan
Clerk
Braxton County Commission

QUALITY PRINTING CO., SUTTON, WV – RECORDER NO. BCC-14

IN THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA.

IN THE MATTER OF THE ENLARGEMENT
OF THE FLATWOODS-CANOE RUN PUBLIC
SERVICE DISTRICT.

WHEREAS, the County Commission of Braxton County, West Virginia, on its own motion, deems it necessary, feasible and proper to enlarge the Flatwoods-Canoe Run Public Service District to include additional areas, and desires so to do; and,

WHEREAS, and being proper so to do, this Commission on the 15th day of March, 1985, at one of its regular meetings, unanimously sustained its own motion, and also on its own motion hereby orders the Clerk of this Commission to have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five, (5), conspicuous places in the proposed enlargement of said public service district a copy of said notice stating, in part and in substance, that the public hearing before this Commission will be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement; and at such hearing said Commission will consider and determine the feasibility of the enlargement of said public service district, and will determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, the present limits of the present Flatwoods-Canoe Run Public Service District is located in parts of the Magisterial Districts of Holly, Otter and Salt Lick, in Braxton County, West Virginia.

NOW, THEREFORE, IT IS, HEREBY ORDERED, that said proposed enlargement shall be such that the enlargement, together with the present limits or boundaries of said public service district, shall be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District; but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia."

Entered this 15th day of March, 1985.

THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA.

By: James R. Frame, Its President

Lewis E. Wine, One of Its Members

Ledra Argabrite, One of Its Members

IN THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE ENLARGEMENT OF THE
FLATWOODS-CANOE RUN PUBLIC SERVICE
DISTRICT.

WHEREAS, on the 13th day of March, on its own motion, at one of its regular meetings, unanimously sustained its own motion, to enlarge the Flatwoods-Canoe Run Public Service District deeming it necessary, feasible and proper to so enlarge said Flatwoods-Canoe Run Public Service District, and also on its own motion ORDERED the Clerk of this Commission have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five (5) conspicuous places in the proposed enlargement of said public service district a copy of said notice, stating, in part and in substance that the public hearing before this Commission would be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement; and at said hearing said Commission would consider and determine the feasibility of the enlargement of said public service district, and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

WHEREAS, the Clerk of this Commission caused to be published in Braxton Citizens News in the issue of March 21, 1985, the following Notice, name

"NOTICE OF PUBLIC HEARING
TO ENLARGE THE FLATWOODS-
CANOE RUN PUBLIC SERVICE
DISTRICT.

All persons residing in, owning or having any interest in property lying within the Magisterial District of Nelly, in the Magisterial District of Salt Lick, except the Town of Burnsville, and the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, in Otter District, pursuant to the provisions of Chapter 16, Article 13A, Section 1 of the Code of West Virginia, as amended, are hereby notified and advised that the County Commission of Braxton County, West Virginia, on its own motion entered on March 13, 1985, proposed to enlarge the present Flatwoods-Canoe Run Public Service District to include and be as follows:

"All of the Magisterial Districts of Nelly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia." and that an Order has been entered by said County Commission fixing Thursday, April 11, 1985, at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Braxton County Courthouse, as the date, time and place for a public hearing upon the question of the proposed enlargement of said public service district to include the aforesaid territory, at which meeting you may attend if you so desire.

This the 13th day of March, 1985.

David L. Jack
David L. Jack, Clerk of the County Commission of Braxton County, West Virginia.

(3-21d)"

WHEREAS, a copy of said Notice was duly posted in at least five (5), conspicuous places in the proposed enlargement of said public service district; and,

WHEREAS, this Commission convened on the 11th day of April, 1985 at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, at the Courthouse in the said Town of Sutton, and starting at 7:30 o'clock, P.M., proceeded to have and to hold said public hearing for the reasons aforesaid, for the reasons stated in said Notice and for reasons as provided by the applicable statutes and laws of the State of West Virginia; and,

WHEREAS, the Commission heard all persons for and against the enlargement of said Flatwoods-Canoe Run Public Service District, and considered the feasibility of the enlargement of said District, and the matter applicable to the enlargement of the said public service district, and, after mature consideration this Commission is of the opinion that said proposed enlargement of public service district should be enlarged and created, the creation and enlargement of such enlargement of said public service district being feasible and being conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, an oral protest was made by Charles Sweitzer, Mayor of the Town of Burnsville, against said proposed enlargement of said Public Service District insofar as it would affect the Town of Burnsville and its water system and requested that the Town of Burnsville not be restricted to its corporate limits and to include other [illegible]

but not limited to, the area to and including Orlando, the area to Gilmer the area to and including Gem, and the area adjacent thereto, and to extend from the Town of Burnsville back to the Gilmer County line, and being the area below Burnsville; and,

WHEREAS, said meeting and hearing was adjourned until a regular meeting of this Commission of Friday, April 19, 1985 at 9:00 o'clock, A. M., to enter an order sometime during its said regular session on April 19, 1985, creating the enlargement of said public service district; and,

WHEREAS, this Commission met in one of its regular sessions on Friday, April 19, 1985, starting at 9:00 o'clock, A. M., and all three, (3), members being present, this matter was again discussed and it was agreed that the Burnsville Area would be excluded from the Flatwoods-Canoe Run Public Service District, in Salt Lick District, Braxton County, West Virginia, and would be marked on a map of that area of Braxton County to be agreeable to the officials of the Town of Burnsville and especially Charles Sweitzer, then Mayor of the Town of Burnsville, which was later done on September 11, 1985, by Charles Sweitzer, representing the Town of Burnsville, and Jenivee J. Jones, representing the Flatwoods-Canoe Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with red "x's", and placed thereon to designate the boundaries thereof to be so excluded, and the Burnsville area to be excluded shall be as follows:

Following the boundary lines between the Counties of Lewis and Gilmer, with Braxton County, and starting in with the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the Confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Patty's Run and Salt Lick Creek; thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the backwaters of Wolf Pen Run, and following Route 1 from Gem to Copen, as marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Teler Fork at the Gilmer County line; and the three members of the Commission voted unanimously to sustain said motion for the enlargement of said Public Service District, said area shall not include the Burnsville Area as marked and designated on said map.

It is, therefore, ORDERED that there be, and hereby is, create an enlargement of the Flatwoods-Canoe Run Public Service District; that the territory to be embraced within said enlargement, within the said District to include and to be as follows:

"All of the Magisterial District of Nelly; all of the Magisterial District of Salt Lick, except the Burnsville Area as designated and marked on said map showing that portion of Braxton County, and the boundary lines of the Burnsville District shall be the boundary line between Braxton County and the Counties of Gilmer and Lewis, and thence starting in the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Patty's Run and Salt Lick Creek, thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the backwaters of Wolf Pen Run, and following Route 1 from Gem to Copen, as marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Teler Fork at the Gilmer County line; which area shall be excluded from the Flatwoods-Canoe Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Canoe Run Public Service District shall also include the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia," that said Flatwoods-Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia as made and provided thereto for in the said District, and in the territory in this enlargement of said public service dis

Entered this 7th day of February, 1986

THE COUNTY COMMISSION OF BRAXTON COUNTY,
WEST VIRGINIA

By: James E. Frame
James E. Frame, its President

Lewis I. Wise
Lewis I. Wise, One of its Members

Leora Argabrite
Leora Argabrite, One of its Members

Braxton County, ss

I, John D. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 20 at page No. 16-A.

Given under my hand and the seal of said Commission this 26 day of October 19 90

John D. Jordan Clerk
Braxton County Commission

QUALITY PRINTING CO., SUTTON, WV — RE-ORDER NO. BCC-14

[illegible] COUNTY, WEST VIRGINIA.
Deed Book No 420/334

IN THE MATTER OF THE ENLARGEMENT OF THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

WHEREAS, on the 13th day of March, on its own motion, at one of its regular meetings, unanimously sustained its own motion, to enlarge the Flatwoods-Canoe Run Public Service District, deeming it necessary, feasible and proper to so enlarge said Flatwoods-Canoe Run Public Service District, and also on its own motion ORDERED the Clerk of this Commission to have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five, (5), conspicuous places in the proposed enlargement of said public service district a copy of said notice, stating, in part and in substance, that the public hearing before this Commission would be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement; and at said hearing said Commission would consider and determine the feasibility of the enlargement of said public service district, and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

WHEREAS, the Clerk of this Commission caused to be published in the Braxton Citizens News in the issue of March 25, 1985, the following Notice, namely:

"NOTICE OF PUBLIC HEARING
TO ENLARGE THE FLATWOODS-
CANOE RUN PUBLIC SERVICE
DISTRICT.

All persons residing in, owning or having any interest in property lying within the Magisterial District of Holly, in the Magisterial District of Salt Lick, except the Town of Burnsville, and the Magisterial District

of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, in Otter District, pursuant to the provisions of Chapter 16, Article 13A, Section 2 of the Code of West Virginia, as amended, are hereby notified and advised that the County Commission of Braxton County, West Virginia, on its own motion, entered on March 15, 1985, proposed to enlarge the present Flatwoods-Canoe Run Public Service District to include and be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia."; and that an Order has been entered by said County Commission fixing Thursday, April 11 1985, at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Braxton County Courthouse, as the date, time and place for a public hearing upon the question of the proposed enlargement of said public service district to include the aforesaid territory, at which meeting you may attend if you so desire.

This the 15th day of March, 1985.

David L. Jack, Clerk of the County Commission of Braxton County, West Virginia.

(3-22c)"

WHEREAS, a copy of said Notice was duly posted in at least five (5), conspicuous places in the proposed enlargement of said public service district; and,

WHEREAS, this Commission convened on the 11th day of April, 1985 at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton Co. West Virginia, at the Courthouse in the said Town of Sutton, and starting at 7:30 o'clock, P.M., proceeded to have and to hold said public hearing for the reasons aforesaid, for the reasons stated in said Notice and for reasons as provided by the applicable statutes and laws of the State of West Virginia; and,

WHEREAS, the Commission heard all persons for and against the enlargement of said Flatwoods-Canoe Run Public Service District, and considered the feasibility of the enlargement of said District, and the matter applicable to the enlargement of the said public service district, and, after mature consideration this Commission is of the opinion that said proposed enlargement of said public service district should be enlarged and created, the creation and enlargement of such enlargement of said public service district being feasible and being conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, an oral protest was made by Charles Sweitzer, Mayor of the Town of Burnsville, against said proposed enlargement of said Public Service District insofar as it would affect the Town of Burnsville and its water system and requested that the Town of Burnsville not be restricted to its corporate limits and to include other areas around Burnsville, including, but not limited to, the area to and including Orlando, the area to Gilmer, the area to and including Gem, and the area adjacent thereto, and to extend from the Town of Burnsville back to the Gilmer County line, and being the area below Burnsville; and,

WHEREAS, said meeting and hearing was adjourned until a regular meeting of this Commission of Friday, April 19, 1985, at 9:00 o'clock, A.M., to enter an order sometime during its said regular session on April 19, 1985, creating the enlargement of said public service district; and,

WHEREAS, this Commission met in one of its regular sessions on Friday, April 19, 1985, starting at 9:00 o'clock, A.M., and all three, (3), members being present, this matter was again discussed and it was agreed that the Burnsville Area would be excluded from the Flatwoods-Canoe Run Public Service District, in Salt Lick District, Braxton County, West Virginia, and would be marked on a map of that area of Braxton County to be agreeable to the officials of the Town of Burnsville and especially Charles Sweitzer, then Mayor of the Town of Burnsville, which was later done on September 11, 1985, by Charles Sweitzer, representing the Town of Burnsville, and Jenivor J. Jones, representing the Flatwoods-Canoe Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with red

[illegible], and placed thereon to designate the boundaries thereof to be so excluded, and the Burnsville area to be excluded shall be as follows:

Following the boundary lines between the Counties of Lewis and Gilmer, with Braxton County, and starting in the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the Confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the headwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Patty's Run and Salt Lick Creek; thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the headwaters of Wolf Pen Run, and following Route 2 from Gem to Copen, as marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; and the three members of the Commission voted unanimously to sustain said motion for the enlargement of said Public Service District, said area shall not include the Burnsville Area as marked and designated on said map.

It is, therefore, ORDERED that there be, and hereby is, created an enlargement of the Flatwoods-Canoe Run Public Service District; that the territory to be embraced within said enlargement, within the said District, to include and to be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Burnsville Area as designated and marked on said map showing that portion of Braxton County, and the boundary lines of the Burnsville District shall be the boundary line between Braxton County and the Counties of Gilmer and Lewis, and thence starting in the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the headwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Patty's Run and Salt Lick Creek, thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the headwaters of Wolf Pen Run, and following Route 2 from Gem to Copen, as

marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; which area shall be excluded from the Flatwoods-Canoe Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Canoe Run Public Service District shall also include the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia." that said Flatwoods-Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia so made and provided therefor in the said District, and in the territory in this enlargement of said public service district.

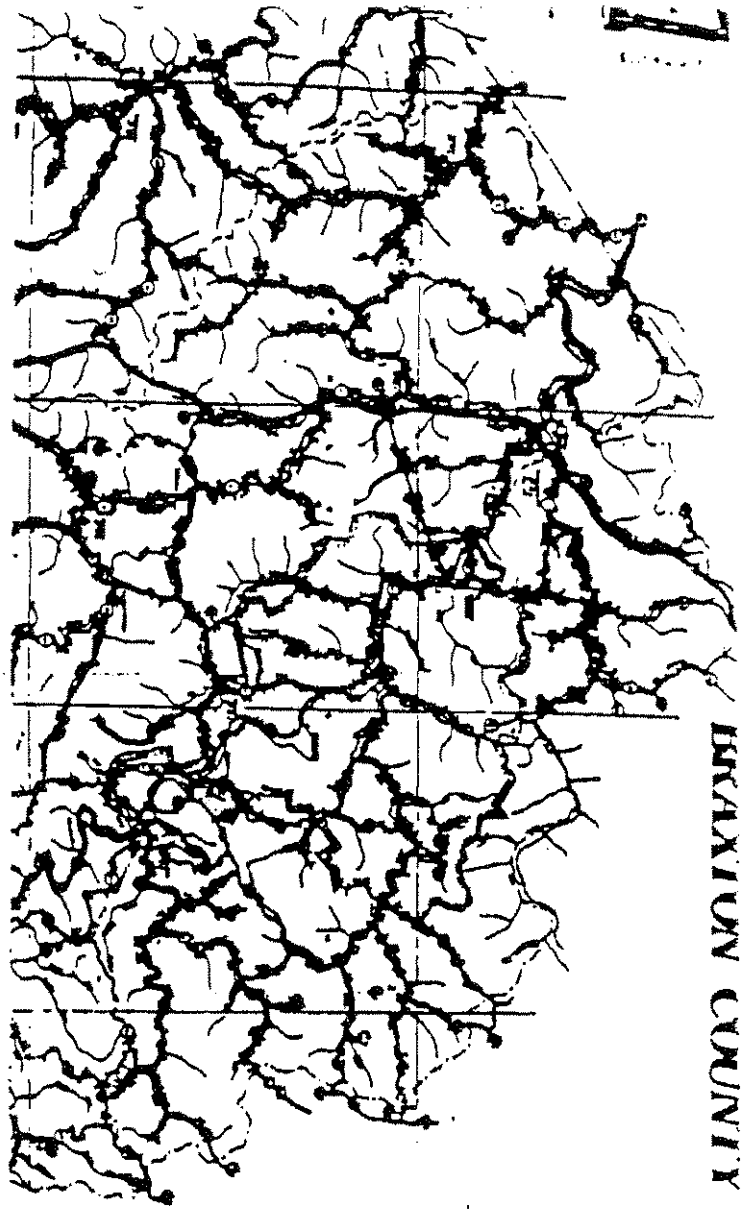
Entered this 7th day of February, 1984.

THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA

By: James E. Frame, Its President

Louis E. Wine, One of Its Members

Leora Argabrite, One of Its Members



STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office, February 7, 1986

The foregoing Enlargement of Floodway-Cross Sec. F.I.R.M. together with the certificate endorsed thereon, was this day presented to and filed in said office and recorded in evidence.

Teste: David L. Jackson

Braxton County, ss.

I, John D. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in Deed Book No. 426 at page No. 334

Given under my hand and the seal of said Commission this 26th day of October 19 90

John D. Jordan Clerk
Braxton County Commission

QUALITY PRINTING CO., BUTTON, WV — RE-ORDER NO. BCC-14

[redacted]

[redacted]

AFFIDAVIT

STATE OF WEST VIRGINIA:
COUNTY OF BRAXTON, TO-WIT:

This day personally appeared before the undersigned Notary Public in and for the state and county aforesaid, Jenivee J. Jones who, being by me first duly sworn, upon his oath deposes and says

1. That he is an attorney at law practicing in Sutton, Braxton County, West Virginia.

2. That he was the counsel to Canoe Run Public Service District from and including all the calendar year 1966 to and including January 2, 1968.

3. That he was counsel to Flatwoods Public Service District from and including all the calendar year 1967 to and including January 2, 1968.

4. That he has been counsel to Flatwoods-Canoe Run Public Service District from and including January 2, 1968, to the date hereof.

5. That, as such counsel, he assisted in the creation of Canoe Run Public Service District and Flatwoods Public Service District, the consolidation of Canoe Run Public Service District and Flatwoods Public Service District as one public service district known as Flatwoods-Canoe Run Public Service District and the enlargement of Flatwoods-Canoe Run Public Service District.

6. That, to the best of his knowledge, information and belief, the petitions filed in connection with the creation of both Canoe Run Public Service District and Flatwoods Public Service District contained the signatures of the required number of legal voters resident within and owning real property within the limits of the respective public service districts.

7. That all notices required to be posted and/or published under Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended, and the other applicable provisions of law, as in effect at the relevant time or times, in connection with the creation of both Canoe Run Public Service District and Flatwoods Public Service

District, the consolidation of Canoe Run Public Service District and Flatwoods Public Service District as one public service district known as Flatwoods-Canoe Run Public Service District and the enlargement of Flatwoods-Canoe Run Public Service District were posted and/or published in accordance with such requirements of law.

Given under my hand this 14th day of November, 1990.

Janiver J. Jones

Taken, subscribed and sworn to before me this 14th day of November, 1990.

My commission expires: September 8, 2000

Linda L. Cox
Notary Public

11/13/90
FCRB.GGJ
29212/88002

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LINDA L. COX
[illegible] FRANKLIN AVENUE
SUTTON, WV [illegible]
My Commission Expires September 8, 2000

AT THE REGULAR MEETING OF THE COMMON COUNCIL OF THE TOWN OF SUTTON, WEST VIRGINIA, HELD ON THURSDAY, JANUARY 23, 1969, AT THE COMMUNITY BUILDING, ITS REGULAR MEETING PLACE

Councilman C. W. Humphreys.

I move that the following Resolution be adopted by the Common Council of the Town of Sutton, West Virginia, and that the Council waive any further readings of the proposed Resolution, the Resolution being as follows:

"Be It Ordained And Resolved By The Common Council Of The Town Of Sutton:

The Common Council of the Town of Sutton hereby resolves that the boundaries of, and within, the corporate limits of the Town of Sutton shall be forthwith included within the boundaries of the Flatwoods-Canoe Run Public Service District, and the Common Council of the Town of Sutton hereby consents to the forthwith inclusion of the boundaries of, and within, the corporate limits of the Town of Sutton within the boundaries of the Flatwoods-Canoe Run Public Service District."

Councilman J. W. Stoneking.

I second the motion

After due deliberation and discussion it was voted unanimously to immediately and forthwith adopt the proposed resolution in its entirety, there being present at said voting the following persons, namely:

O. L. Holcomb, Mayor of the Town of Sutton,

R. W. Cutlip, Recorder of the Town of Sutton,

and C. W. Humphreys, ~~J. W. Stoneking~~,

J. O. Cogar, _____

and _____, members of the Common Council of the Town of Sutton, all of whom voted in the affirmative to adopt said proposed resolution in its entirety without any change thereof or therein; and further at said time all of said persons voted in the affirmative to waive and to dispense with any reading or readings of said proposed resolution.

C E R T I F I C A T I O N

I, _____, Recorder of the Town of Sutton, hereby certify that the foregoing Resolution was duly adopted by unanimous affirmative vote of the members of the Common Council of the Town of Sutton, West Virginia, and the affirmative vote of said Mayor and Recorder of said Town of Sutton, West Virginia, at a regular meeting held of said municipal council of the Town of Sutton, on the 23rd day of January, 1969.

TOWN OF SUTTON

By: _____
Its Recorder

AT THE REGULAR MEETING OF THE
COMMON COUNCIL OF THE TOWN OF
GASSAWAY, WEST VIRGINIA, HELD
ON THURSDAY, JANUARY 23, 1969,
AT THE COMMUNITY BUILDING, ITS
REGULAR MEETING PLACE

Councilman Harry F. Kyer.

I move that the following Resolution be adopted by the Common Council of the Town of Gassaway, West Virginia, and that the Council waive any further readings of the proposed Resolution, the Resolution being as follows:

"Be It Ordained And Resolved By The Common Council Of The Town Of Gassaway:

The Common Council of the Town of Gassaway hereby resolves that the boundaries of, and within, the corporate limits of the Town of Gassaway shall be forthwith included within the boundaries of the Flatwoods-Canoe Run Public Service District, and the Common Council of the Town of Gassaway hereby consents to the forthwith inclusion of the boundaries of, and within, the corporate limits of the Town of Gassaway within the boundaries of the Flatwoods-Canoe Run Public Service District."

Councilman Howard Heckler.

I second the motion

After due deliberation and discussion it was voted unanimously to immediately and forthwith adopt the proposed resolution in its entirety, there being present at said voting the following persons, namely:

Simon L. Cole, Jr., Mayor of the Town of Gassaway,

Sarah S. Hopkins, Recorder of the Town of Gassaway,

and Howard Heckler, Harry F. Kyer

Olen Lively, Jack B. Phillips

and _____, members of the Common Council of the Town of Gassaway; all of whom voted in the affirmative to adopt said proposed resolution in its entirety without any change thereof or therein; and further at said time all of said persons voted in the affirmative to waive and to dispense with any reading or readings of said proposed resolution.

C E R T I F I C A T I O N

I, Sarah S Hopkins, Recorder of the Town of Gassaway, hereby certify that the foregoing Resolution was duly adopted by unanimous affirmative vote of the members of the Common Council of the Town of Gassaway, West Virginia, and the affirmative vote of said Mayor and Recorder of said Town of Gassaway, West Virginia, at a regular meeting held of said municipal council of the Town of Gassaway, on the 23rd day of January, 1969.

TOWN OF GASSAWAY

By: Sarah S Hopkins
Its Recorder

MARCH 10, 2006

The Braxton County Commission convened in regular session on Friday, March 10, 2006 at 9:00 Am with the following Present: Teresa Frame, President; Evelyn Post and L. Mike Chapman, Commissioners; John D. Jordan, Clerk; Edith Tichner, Ed Given, Citizens News; Joan Bias, Braxton Democrat; Fred Thompson, Sheriff Howard Carpenter, Lee Fisher, Braci Davis.

The meeting began with the Pledge of Allegiance.

Sheriff Howard Carpenter appeared before the Commission to discuss rescheduling the meeting with the Board of Education to discuss the fate of the Pro Officer Program in the school system. Commission President Teresa Frame informed him the meeting has been rescheduled for the 24th of March at 1:30 PM. Discussion was also held on his negotiations with the High Intensity Drug Association (HIDA), a Federal Grant program, that would pay for a deputy to work part time in a multi-county area. Funding would pay for the wages and he is seeking clarification to see if the grant would pay for vehicle expenses.

Fred Thompson appeared before the Commission to request approval to lease an ambulance from the Frametown Volunteer Fire Department to be used by the EMS until a replacement unit could be purchased to replace the one that was wrecked. After discussion on the request on motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approve signing the lease.

Lee Fisher appeared to ask the Commission if they have received information concerning a veteran who had difficulty hearing while serving on a Circuit Court Jury. Commissioner Frame informed him the new sound system was a part of the renovation of the Courtroom and should rectify the problem.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved the Probate appointments for the month of February as appointed by John D. Jordan, Clerk in vacation of the regular term of court.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved the consolidation of contiguous tracts for tax purposes only for Gregory M. &/or Gina K. Skeens and Ray Robert Riffle.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved the refunding of the purchase price and the taxes paid in the amount of $2,074.99 to William Jack Bosley for erroneous property sold at the 2005 tax sale.

On motion of Commissioner Chapman, seconded by Commissioner Post, unanimously approved the following Purchase Order request:

#2129 - Casto & Harris	- Circuit Clerk	- Record Books	- $ 958.50
2130 - Haru-Tech	- County Clerk	- LCD Monitor	- $ 279.00
2131 - Quill Corp	- Co. Commission	- Supplies, Prnt. Cable	- $ 210.97

After discussion on Purchase order number 2132, in the amount of 379.91, to Galls for sweatshirts for the 911 dispatch on motion of Commissioner Post, Seconded by Commissioner Chapman unanimously approved the Purchase Order and a donation is accepted from Ed Given, of the Citizens News, to pay for the shirts.

On motion of Commissioner Post, Seconded by Commissioner Chapman, unanimously approved the accepting road names from the mapping and addressing office and put them out for comment for the next meeting.

No action taken on the over payment of the enhanced 911 fees pending further information from Delegate Brent Boggs.

No Action was taken on the appointment to the United Summit Center Board of Directors.

On motion of Commissioner Post, Seconded by Commissioner Chapman, unanimously approved the donation of $5,000 from the Coal Severance Fund to the Sutton Pool & Recreation Association.

On motion of Commissioner Chapman, seconded by Commissioner Post, unanimously approved signing the Small Cities Block Grant contract in the amount of $200,000 for the new Senior Center.

On motion of Commissioner Chapman, seconded by Commissioner Post, unanimously approve a budget revision #3 to the general county fund.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved the appointment of Johnny James to the FCR PSD Board for a 6 year term and Paul Tallman to the Sugar Creek PSD for a 6 year term.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved a Mutual Assistance Agreement for the Sheriff's Law Enforcement Department.

On motion of Commissioner Post, seconded by Commissioner Chapman, unanimously approved the bidding document and to advertise for bids for the labor only for the addition to the Animal Shelter.

On motion of Commissioner Chapman, seconded by Commissioner Post, unanimously approved the addresses for the courthouse and annex offices as submitted by the mapping and addressing office.

There being no further business on motion of Commissioenr {Post, seconded by Commissioenr Chapman, unaniamously approved adjournment a t 9:55 AM until March 24, 2006 at 9:00 AM

SS John D. Jordan
John D. Jordan, Clerk
Braxton County Commission

STATE OF WV COUNTY OF BRAXTON, to-wit:

I, John D. Jordan, County Clerk, do hereby certify that the foregoing is a true and accurate copy of the record in my office in General Book No. 22 at page 283, as taken from the records.

Given under my hand this 29th day of Mar 2007

John D Jordan (SR
COUNTY CLERK

Region VII Workforce Investment Board:
1. Evelyn R. Post

CAEZ (Empowerment Zone)
1. Mike Chapman, Commissioner
2. John Gibson, Citizen Representative

Research Zone/Flex E Grant Committee
1. Carolyn Long
2. Michael Chapman Jr.
3. Delegate Brent Boggs
4. Evelyn R. Post
5. Ben Vincent

Economic Development Authority
1 Evelyn R. Post

Braxton County Airport Authority
1. Mike Chapman

Mountain Cap
1. Evelyn R. Post

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved tabling any action on installation of the clock, name plates and the purchase of office equipment on the credit card until a later meeting.

On motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved the minutes for the January meetings with minor corrections

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously set a special meeting to be held Wednesday February 9, 2005 at 9:00 am and the following is to be on the agenda:

Hiring of a part time deputy sheriff, hiring and training a part time dispatcher, appointment of FCR PSD Board members and the appointment to the E-911 Board of Directors.

There being no further business and on motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved adjournment at 10:05 am Wednesday February 9, 2005 at 9:00 am.

SS: John David Jordan
John David Jordan, Clerk
Braxton County Commission

BRAXTON COUNTY COMMISION

SPECIAL MEETING

February 9, 2005

The Braxton County Commission convened in special session Wednesday February 9, 2005 at 9:00 am as called by President Evelyn Post and with the concurrence of Commissioners Teresa Frame and L. Mike Chapman. Attending: Evelyn Post, Teresa Frame and L. Mike Chapman, Commissioners; John D. Jordan, Clerk; Ed Given Citizens News; Fred Thompson

The purpose of the special meeting was to consider approving the hiring of a part time deputy sheriff, hiring and training a part time dispatcher, appointments to FCR PSD, E-911 Boards and to Region VII.

The meeting began with the Pledge of Allegiance.

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved tabling any action on the request to hire a part time deputy sheriff until a review of the budget to find the funds for the positions salary can be found.

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved the hiring of Shelly Yeager as a part time dispatcher and to train her at the rate of $5.15 per hour during training.

On motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved the appointment of Johnnie L. James and Eldred Drake to the Flatwoods Canoe Run PSD.

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved the appointment of Susan Butler to the E-911 Advisory Board and to table any action on the Region VII appointment at this time

There being no further business that can be conducted at this meeting and on motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved adjournment at 9.07 am.

SS: John D. Jordan
John D. Jordan, Clerk
Braxton County Commission

BRAXTON COUNTY COMMISSION MEETING

February 18, 2005

The Braxton County Commission convened in regular session on Friday February 18, 2005 at 9:00 am with the following present: Evelyn Post, President; Teresa Frame and L. Mike Chapman, Commissioners; Edith Tichner, Ed Given, Citizens News; Joan Bias, Braxton Democrat; Fred Thompson, Shelly Karickhoff, Tara Rexroad, Bobby Painter and Chuck Johnson.

The meeting began with the Pledge of Allegiance led by the Commission

Chuck Johnson, representing Acordia Insurance, appeared before the Commission to present a proposal to the Commission for health insurance for the county employee's. After discussion on his proposal, the commission secretary is to work with him to get the information needed to compare cost and benefits.

Tara Rexroad, representing Mt. Cap, appeared before the Commission to explain their two loan programs, Intermediary Relender and Micro-Loan, that is available in Braxton County.

Fred Thompson, OES Director, appeared before the Commission to discuss the complaints about smoking at the E-911 center Thompson informed the Commission he has done everything he knows to do to stop any smoking going on at the center and felt that it was not just his employee's as there is other smokers on that floor. The Commission will work on a policy that would apply to all county employee's

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved all short form settlements as submitted by Tamera Facemire, Fiduciary Supervisor

On motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved two erroneous tax tickets for Ann Woizesko Living Trust and Exoneration Refund requests in the amount of $ 6.10, for Ronnie and Jalene Williams and $ 1,555.34 for Lloyd's Motel as submitted by the Office of the Assessor.

On motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved the naming of two private roads Stormy Run and Fiddlers Glen Drive as requested by the Mapping and Addressing Coordinator Paul Brag.

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved hiring Randall Zane Posey as a part time deputy sheriff at $11.07 per hour as requested by the sheriff.

On motion of Commissioner Chapman and seconded by Commissioner Frame unanimously approved the Animal Control Office policy as presented.

On motion of Commissioner Frame and seconded by Commissioner Chapman unanimously approved the terms of the Flatwoods Canoe Run PSD members appointed at the special commission meeting on February 9, 2005 Jonnie James term will end on December 31, 2005 and Eldred Drake's term will end on December 31, 2007

294

OATH OF OFFICE

STATE OF WEST VIRGINIA,

COUNTY OF BRAXTON, TO-WIT:

I, Johnnie L. James, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of FCRPSD BOARD to the best of my skill and judgment SO HELP ME GOD.

Johnnie L. James
Signature of Affiant

Subscribed and sworn to before me in my said County and State this 21st day of February, 2007.

BRAXTON COUNTY, WV
FILED
February 21, 2007 14:12:31

JOHN D. JORDAN
COUNTY CLERK
TRANSACTION NO: 2007001181

OATH OF OFFICE
Book: 00003 Page: 00150

386

OATH OF OFFICE

STATE OF WEST VIRGINIA,

COUNTY OF BRAXTON, TO-WIT:

I, ELDRED DRAKE, *do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of* FCRPSD BOARD *to the best of my skill and judgment SO HELP ME GOD.*

Signature of Affiant

Subscribed and sworn to before me in my said County and State this the 16th *day of* February, *,* 2005.

John D. Jordan
35 Camden Ave.
Sutton, WV 26601
Expires Nov. 20, 2011

BRAXTON COUNTY, WV
FILED
February 16, 2005 13:47:05

JOHN D. JORDAN
COUNTY CLERK
TRANSACTION NO: 2005001039

OATH OF OFFICE
Book: 00003 Page: 00117

Oath of Office
Book No. 3 117
Nov 2005

RULES OF PROCEDURE

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Post Office Box 677, Sutton, Braxton County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Flatwoods-Canoe Run Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Braxton County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the third Wednesday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Braxton County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Braxton County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly

elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 16th day of November, 2005.

05/06/05
292120.00001

RESERVED

FLATWOODS CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

EXCERPT OF MINUTES ON ORGANIZATIONAL MEETING, ADOPTION OF BOND RESOLUTION, SUPPLEMENTAL RESOLUTION AND FIRST DRAW RESOLUTION

The undersigned SECRETARY of the Public Service Board of Flatwoods Canoe Run Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

*** *** ***

The Public Service Board of Flatwoods Canoe Run Public Service District met in special session, pursuant to notice duly posted, on the 23rd day of April, 2007, in Sutton, Braxton County, West Virginia, at the hour of 9:00 A.M.

PRESENT: Eldred Drake
Johnny James

ABSENT: NONE

A quorum of members was present and that the meeting was open for any business properly before it.

The Chairman, James Rogers, passed away; therefore, the Board elected Johnnie James as chairman for the remainder of calendar year of 2007. Eldred Drake remains the Secretary/Treasurer. The officers are as follows:

Johnnie James	-	Chairman
Eldred Drake	-	Secretary/Treasurer

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,014,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE

BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE BONDS; AUTHORIZING AND APPROVING THE SALE OF THE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; MAKING OTHER PROVISIONS AS TO THE BONDS

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof

*** *** ***

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Flatwoods Canoe Run Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 24th day of April, 2007.

Secretary

292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

BOARD MINUTES
January 17, 2007

The January 17, 2007 regular meeting of the Flatwoods-Canoe Run Public Service District (FCRPSD) was held in the conference room at the District's Water Plant at the east end of Main Street, Sutton, West Virginia. Board Chairman Jim Rogers called the meeting to order at approximately 10:00 p.m.

PRESENT:

Jim Rogers, Board Chairman
Eldred Drake, Board Secretary,
Johnnie James, Board Treasurer,
Steven J. Sanders, FCRPSD General Manager
Todd Dingess, Smith, Cochran & Hicks CPA's
Fred Hypes, Dunn Engineers, Inc.
Terry Frame, Braxton County Commission
Virginia Strothers, Barkers Ridge resident
H. Wyatt Hanna III, Attorney
Mike Wilmoth, Bell Engineering

ELECTION OF OFFICERS:

Motion was made by Commissioner Drake and seconded by Commissioner James to leave the Board officers the same for the year 2007, they being, James Rogers, Chairman, Eldred Drake, Secretary and Johnnie James, Treasurer. Motion carried.

APPROVAL OF PREVIOUS BOARD MINUTES:

Motion was made by Commissioner James and seconded by Commissioner Drake to approve the December 13, 2006 regular meeting minutes. Motion carried.

Public Comments:

Virginia Strothers stated that she wanted to thank the Board members and everyone involved in the water projects.

SEWER AGENDA

Sewer Plant Upgrade:

Fred Hypes discussed the sewer plant upgrade.

Micro Motel:

The lift station for the Micro Motel project was discussed.

FLATWOODS CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

EXCERPT OF MINUTES ON ORGANIZATIONAL MEETING, ADOPTION OF BOND RESOLUTION, SUPPLEMENTAL RESOLUTION AND FIRST DRAW RESOLUTION

The undersigned SECRETARY of the Public Service Board of Flatwoods Canoe Run Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

*** *** ***

The Public Service Board of Flatwoods Canoe Run Public Service District met in special session, pursuant to notice duly posted, on the 23rd day of April, 2007, in Sutton, Braxton County, West Virginia, at the hour of 9:00 A.M.

PRESENT: Eldred Drake
Johnny James

ABSENT: NONE

A quorum of members was present and that the meeting was open for any business properly before it.

The Chairman, James Rogers, passed away; therefore, the Board elected Johnnie James as chairman for the remainder of calendar year of 2007. Eldred Drake remains the Secretary/Treasurer. The officers are as follows:

Johnnie James	-	Chairman
Eldred Drake	-	Secretary/Treasurer

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,014,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE

BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE BONDS; AUTHORIZING AND APPROVING THE SALE OF THE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; MAKING OTHER PROVISIONS AS TO THE BONDS

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Eldred Drake and seconded by Johnnie James, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof

*** *** ***

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Flatwoods Canoe Run Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 24th day of April, 2007.

Secretary

292120.00007

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: April 24, 2007

ISSUE: Flatwoods Canoe Run Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)

ADDRESS: Post Office Box 677 , Sutton, WV 26601

COUNTY: Braxton

PURPOSE OF ISSUE: New Money: X
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: April 24, 2007

CLOSING DATE: April 24, 2007

ISSUE AMOUNT: $1,014,000

RATE: 0%

1ST DEBT SERVICE DUE: September 1, 2008

1ST PRINCIPAL DUE: September 1, 2008

1ST DEBT SERVICE AMOUNT: $6,542.00

PAYING AGENT: Municipal Bond Commission

BOND COUNSEL: Steptoe & Johnson PLLC
Contact Person: John Stump, Esquire
Phone: (304) 353-8169

UNDERWRITERS COUNSEL: Jackson Kelly PLLC
Contact Person: Samme Gee, Esquire
Phone: (304) 340-1318

CLOSING BANK: Bank of Gassaway
Contact Person: Missy Patrick
Phone: 304.364.5138

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Steve Sanders
Position: Manager
Phone: 304.765.2300

OTHER: WV Infrastructure and Jobs Development Council
Contact Person: Jefferson Brady, P.E.
Function: Executive Director
Phone: (304) 558-4607

DEPOSITS TO MBC AT CLOSE:
By: ____ Wire
____ Check

____ Accrued Interest: $_____
____ Capitalized Interest: $_____
____ Reserve Account: $_____
____ Other: _____ $_____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire
____ Check
____ IGT

____ To Escrow Trustee: $_____
____ To Issuer $_____
____ To Cons. Invest. Fund $_____
____ To Other: _____ $_____

NOTES: The Series 2007 A Bonds Reserve Account will be funded over 10 years.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Bank of Gassaway, Gassaway, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Flatwoods-Canoe Run Public Service District (the "Issuer") adopted April 18, 2007, and the Supplemental Resolution of the Issuer adopted April 18, 2007 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the principal amount of $1,014,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 24th day of April, 2007.

BANK OF GASSAWAY

By: _____
Its: Authorized Officer

04.06.07
292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the principal amount of $1,014,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 24th day of April, 2007.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar (the "Registrar"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of Flatwoods-Canoe Run Public Service District (the "Issuer"), dated April 24, 2007, in the principal amount of $1,014,000, numbered AR-1, was registered as to principal only, in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature on this 24th day of April, 2007.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

292120.00007

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 24th day of April, 2007, by and between FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $1,014,000 Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted April 23, 2007, and the Supplemental Resolution of the Issuer duly adopted April 23, 2007 (collectively, the "Bond Legislation");

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

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

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such

duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

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

ISSUER: Flatwoods-Canoe Run Public Service District
Post Office Box 677
Sutton, WV 26601
Attention: Chairman

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

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

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

[Remainder of page intentionally blank]

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

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

01.23.07
292120.00007

EXHIBIT A

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

SCHEDULE OF COMPENSATION

(Please see the attached)

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633

Huntington

STATEMENT OF TRUSTEE'S FEES
Invoice Date April 24, 2007

Flatwoods Canoe Run Public Service District
Account Number 6089001809

Flatwoods Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
C/o John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

****

FEE CALCULATION FOR April, 2007

****

TOTAL AMOUNT	$	500.00
TOTAL DUE	**$**	**500.00**

* FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
* IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
* .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
* .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 . . . . . .*

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035

United States Department of Agriculture
Rural Development
West Virginia State Office

April 24, 2007

Flatwoods-Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CONSENT TO ISSUANCE OF PARITY BONDS

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the entire outstanding aggregate principal amounts of the Series 1996 A Bond and the Series 1996 B Bond, hereinafter defined and described, hereby (i) consents to the issuance of the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of $1,014,000, (the "Series 2007 A Bonds"), by Flatwoods-Canoe Run Public Service District (the "Issuer"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000, and Water Refunding Revenue Bonds, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000 (collectively, the "Prior Bonds"); (ii) waives any requirements imposed by the Prior Bonds or the resolutions authorizing the Prior Bonds (collectively, the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Series 2005 Bonds or the Resolution; and (iii) consents to any amendments made to the Prior Resolution by the Resolution or the Supplemental Resolution authorizing the Bonds.

Susan L Newromer
Acting State Director

75 High Street Federal Building • Suite 320 • Morgantown, WV 26505-7500
Phone: 304.284.4860 • 1.800.295.8228 • Fax: 304.284.4893 • TTY/TDD: 304.284.4836 • Web: http://www.rurdev.usda.gov/wv

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

WEST VIRGINIA
Water Development Authority
Celebrating 32 Years of Service 1974 - 2006

April 24, 2007

Flatwoods-Canoe Run Public Service District
Water Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

In reliance upon the certification of Smith, Cochran & Hicks P.L.L.C., independent certified public accountants, and an opinion of Steptoe & Johnson PLLC, bond counsel, that the Issuer has met the coverage and parity tests set forth in the resolutions authorizing the Prior Bonds (copies attached), the undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), the registered owner of the Series 1998 B Bonds, Series 2005 A Bonds and Series 2005 B Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of $1,014,000,(the "Bonds") by Flatwoods-Canoe Run Public Service District (the "Issuer"), under the terms of the resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund); Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) and Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority) (collectively, the "Prior Bonds").

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Authorized Representative

180 Association Drive, Charleston, WV 25311-1217
phone (304) 558-3612 / fax (304) 558-0299
www.wwda.org

State of West Virginia

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

815 QUARRIER STREET, SUITE 418 CHARLESTON, WEST VIRGINIA 25301-2616

TELEPHONE 304-558-2981

(Water) **PERMIT**

PROJECT: Morrison Ridge and Poplar Ridge Water Line Extension Projects PERMIT NO.: 15,834

LOCATION: near Flatwoods COUNTY: Braxton DATE: 10-31-2003

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

Flatwoods-Canoe Run Public Service District
Post Office Box 677
Sutton, West Virginia 26601-0677

is hereby granted approval to: install approximately 41,405 LF of 6", 36,485 LF of 4", 225 LF of 3" and 21,600 LF of 2" water line; one (1) 1,180 G.P.M., one (1) 150 G.P.M. and one (1) 50 G.P.M. duplex water booster stations; one (1) 84,000 gallon, one (1) 297,000 gallon, 110,000 gallon and one (1) 97,000 gallon water storage tanks; five (5) pressure reducing stations; and all necessary valves, telemetry, controls and appurtenances. Also, the existing 200,000 gallon and 275,000 gallon water storage tanks will be repainted and a new 50 G.P.M. duplex filter backwash pump station with discharge through approximately 1,828 LF of 3" force main with discharge to the existing Flatwoods-Canoe Run Public Service District sewage system will be installed at the water treatment plant.

Facilities are to serve 345 new customers along Morrison Ridge and Poplar Ridge in the Flatwoods-Canoe Run Public Service District.

NOTE: **This permit is contingent upon: 1) All new water lines and water storage tanks being flushed, disinfected, and bacteriologically tested, prior to use; 2) Maintaining a minimum ten (10) feet horizontal separation between sewer and water lines and a minimum 18" vertical separation between crossing sewer and water lines; and 3) The installation of a minimum six (6) feet high fence with a locking gate around all new water storage tanks.**

The Environmental Engineering Division of the Philippi District Office (304) 457-2296, is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR

William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH:sec

pc: Dunn Engineers, Inc.
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC
Braxton County Health Department
OEHS-EED Philippi District Office

Received Time Nov. 14. 2011:35AM

Flatwoods-Canoe Run Public Service District
Prior Bonds

A. Series 2005 A (West Virginia Infrastructure Fund
Series 2005 B (West Virginia Water Development Authority)

B. Series 2001

C. Series 1998 B (West Virginia Infrastructure Fund)

D. Series 1996 A (United States Department of Agriculture)
Series 1996 B (United States Department of Agriculture)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS, SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)
AND
WATER REVENUE BONDS, SERIES 2005 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

BOND RESOLUTION

Table of Contents

Subject **Page**

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	2
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	4

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01	Authorization of Acquisition and Construction of the Project	13
Section 2.02	Authorization of Financing of Arrearages	13

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENTS

Section 3.01	Authorization of Bonds	14
Section 3.02	Terms of Bonds	14
Section 3.03	Execution of Bonds	15
Section 3.04	Authentication and Registration	15
Section 3.05	Negotiability, Transfer and Registration	15
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	16
Section 3.07	Bonds not to be Indebtedness of the Issuer	16

Section 3.08	Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds	16
Section 3.09	Delivery of Bonds	17
Section 3.10	Form of Bonds	17
	FORM OF SERIES 2005 A BOND	18
	FORM OF SERIES 2005 B BOND	27
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreements	35
Section 3.12	Filing of Amended Schedule	35

ARTICLE IV
[RESERVED] 36

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	37
Section 5.02	Establishment of Funds and Accounts with Commission	37
Section 5.03	System Revenues; Flow of Funds	37

ARTICLE VI
BOND PROCEEDS; DISBURSEMENTS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	43
Section 6.02	Disbursements From the Bond Construction Trust Fund	44

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	45
Section 7.02	Bonds not to be Indebtedness of the Issuer	45
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds	45
Section 7.04	Initial Schedule of Rates and Charges	45
Section 7.05	Sale of the System	46
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	47
Section 7.07	Parity Bonds	47
Section 7.08	Books; Records and Audit	50
Section 7.09	Rates	51
Section 7.10	Operating Budget and Monthly Financial Report	52
Section 7.11	Engineering Services and Operating Personnel	53

Section 7.12	No Competing Franchise	53
Section 7.13	Enforcement of Collections	53
Section 7.14	No Free Services	54
Section 7.15	Insurance and Construction Bonds	54
Section 7.16	Connections	55
Section 7.17	Completion of Project; Permits and Orders	56
Section 7.18	[Reserved]	56
Section 7.19	Statutory Mortgage Lien	56
Section 7.20	Compliance with Loan Agreements and Law	56
Section 7.21	Securities Laws Compliance	56
Section 7.22	Contracts; Public Releases	57

ARTICLE VIII
INVESTMENT OF FUNDS; USE OF PROCEEDS

Section 8.01	Investments	58
Section 8.02	Certificate as to Use of Proceeds; Covenants as to Use of Proceeds	58

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	60
Section 9.02	Remedies	60
Section 9.03	Appointment of Receiver	60

ARTICLE X
PAYMENT OF BONDS

Section 10.01	Payment of Bonds	63

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	64
Section 11.02	Bond Legislation Constitutes Contract	64
Section 11.03	Severability of Invalid Provisions	64
Section 11.04	Headings, Etc.	64
Section 11.05	Conflicting Provisions Repealed; Prior Resolution	64
Section 11.06	Covenant of Due Procedure, Etc.	65
Section 11.07	Public Notice of Proposed Financing	65
Section 11.08	Effective Date	66
	SIGNATURES	66
	CERTIFICATION	67
	EXHIBIT A	68

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $5,085,825 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING THE ISSUANCE OF THE WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) BY THE DISTRICT IN AN AMOUNT NOT TO EXCEED $84,180 FOR THE PURPOSE OF FUNDING THE ARREARAGES IN THE SERIES 2001 BONDS RESERVE ACCOUNT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A, Chapter 31, Article 15A,

and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Braxton County of said State, duly created pursuant to the Act by The County Commission of Braxton County.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments, improvements and extensions to the existing public waterworks facilities of the Issuer, consisting of extending potable water service to approximately 130 water users in the Poplar Ridge area and approximately 140 water users in the Morrison Ridge area within the District's existing boundaries in Braxton County, together with all appurtenant facilities (collectively, the "Project") (the existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer has determined that it would be to the benefit of the Issuer to fully fund the arrearages in the Series 2001 Bonds Reserve Account. The Issuer intends to permanently finance the outstanding arrearages in the Series 2001 Bonds Reserve Account through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), pursuant to the Act.

D. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Authority, which administers the West Virginia Infrastructure Fund pursuant to the Act.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, in the total aggregate principal amount of not more than $5,170,005 (the "Series 2005 Bonds") in two series, being the Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), in the principal amount of not more than $5,085,825 (the "Series 2005 A Bonds") and the Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority), in the principal amount of not more than $84,180 (the "Series 2005 B Bonds"), to permanently finance (i) the costs of acquisition and construction of the Project (ii) the existing arrearages in the Series 2001 Bonds Reserve Account and (iii) pay costs of issuance of the Series 2005 Bonds. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2005 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of

the Project; amounts which may be deposited in the respective Series 2005 Bonds Reserve Account (as hereinafter defined) and the Series 2001 Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2005 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2005 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2005 Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), for the Series 2005 A Bonds and a loan agreement by and between the Issuer and the Authority for the Series 2005 B Bonds, in form satisfactory to the respective parties (collectively, the "Loan Agreements"), approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2005 Bonds as to liens, pledge and source of and security for payment, being the (i) Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000, currently held by Rural Utilities Service (the "Series 1996 A Bonds"); (ii) Water Refunding Revenue Bonds, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000, currently held by Rural Utilities Service (the "Series 1996 B Bonds"); (iii) Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), dated September 24, 1998, issued in the original aggregate principal amount of $890,000, currently held by the West Virginia Water Development Authority (the "Series 1998 B Bonds"); and (iv) Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, issued in the original aggregate principal amount of $2,240,000 (the "Series 2001 Bonds"). The Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1998 B Bonds, and the Series 2001 Bonds are hereinafter collectively referred to as the "Prior Bonds".

Prior to the issuance of the Series 2005 Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds

to the issuance of the Series 2005 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolution.

I. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest, if any, on the Series 2005 Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreements relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2005 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2005 Bonds or such final order will not be subject to appeal.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2005 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Series 2005 Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds, and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, Chapter 31, Article 15A, and Chapter 22C, Article 1 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 and Registered Owner of the Series 2005 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2005 Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2005 Bonds for all or a portion of the proceeds of the Series 2005 Bonds from the Authority.

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

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

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931,

as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02E hereof to be a part of the cost of financing the existing arrearages in the Series 2001 Bonds Reserve Account and the costs of acquisition and construction of the Project.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

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

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

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

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

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

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

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means Flatwoods-Canoe Run Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreements" means the Loan Agreements heretofore entered, or to be entered, by and between (i) the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2005 A Bonds and (ii) the Issuer and the Authority, providing for the purchase of the Series 2005 B Bonds, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2005 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the respective Series 2005 Bonds Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein after 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, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Operation and Maintenance Account" means the Operation and Maintenance Account previously established by the Prior Resolution and continued hereby.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 2005 Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Issuer's Series 1996 A Bonds, Series 1996 B Bonds, Series 1998 B Bonds, and Series 2001 Bonds, as described in Section 1.02H hereof.

"Prior Resolution" means, collectively, the resolutions adopted by the Issuer, as supplemented by the supplemental resolutions of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02(B) hereof.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond

dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

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

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

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

"Registrar" means the Bond Registrar.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolution as the Renewal and Replacement Account and the Depreciation Fund and renamed and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2005 A Bonds and Prior Bonds.

"Reserve Requirement" means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2005 A Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund previously established by the Prior Resolution and continued hereby.

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

"Series 2001 Bonds Reserve Account" means the reserve account established for the Series 2001 Bonds of the Issuer.

"Series 2005 A Bonds" means the Issuer's Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund) authorized to be issued hereby.

"Series 2005 A Bonds Construction Trust Fund" means the Series 2005 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account established pursuant to Section 5.02 hereof.

"Series 2005 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2005 A Bonds in the then current or any succeeding year.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2005 B Bonds" means the Issuer's Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority), authorized to be issued hereby.

"Series 2005 B Bonds Sinking Fund" means the Series 2005 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 2005 Bonds and the Prior Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 2005 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2005 Bonds, and not so included, may be included in another Supplemental Resolution.

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

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND FINANCING OF ARREARRAGES

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $6,585,825, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2005 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and has entered into or will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated not to exceed $6,585,825, of which $5,085,825 will be obtained from the proceeds of the Series 2005 A Bonds and $1,500,000 will be obtained from a HUD Small Cities Block Grant.

Section 2.02. Authorization of Financing of Arrearages. There is hereby authorized and ordered the financing of the arrearages in the Series 2001 Bonds Reserve Account in the amount not to exceed $84,180, which will be paid from the proceeds of the Series 2005 B Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2005 Bonds, funding reserve accounts for the Series 2005 Bonds, paying arrearages in the Series 2001 Bonds Reserve Account, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2005 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2005 Bonds of the Issuer. The Series 2005 Bonds shall be issued in two series, designated as "Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), "in the principal amount of not more than $5,085,825 and "Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority) "in the principal amount of not more than $84,180, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2005 Bonds remaining after funding of the Series 2001 Bonds Reserve Account, Series 2005 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest on the Series 2005 Bonds, if any, shall be deposited in or credited to the Series 2005 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2005 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreements. The Series 2005 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2005 Bonds, if any, shall be paid by check or draft of the Paying Agent, or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2005 Bonds shall be issued in the form of two bonds, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2005 Bonds. The Series 2005 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable,

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

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

Section 3.03. Execution of Bonds. The Series 2005 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 the Series 2005 Bonds shall cease to be such officer of the Issuer before the Series 2005 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2005 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2005 Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on the Series 2005 Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2005 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2005 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2005 Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2005 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2005 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 canceled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2005 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2005 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 the Series 2005 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2005 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2005 Bonds shall

be secured by a first lien on the Net Revenues derived from the System on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2005 Bonds and the Prior Bonds, and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2005 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2005 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2005 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate, register, and deliver the Series 2005 Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreements; and

E. The unqualified approving opinion of bond counsel on the Series 2005 Bonds.

Section 3.10. Form of Bonds. The text of the Series 2005 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2005 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2005, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 200___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the

Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 200___, and a Supplemental Resolution duly adopted by the Issuer on _____, 200___ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS WITH THE ISSUER'S: (1) WATER REVENUE BONDS, SERIES 1996 A, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000, CURRENTLY HELD BY RURAL UTILITIES SERVICE (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000, CURRENTLY HELD BY RURAL UTILITIES SERVICE (THE "SERIES 1996 B BONDS"); (3) WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 24, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $890,000, CURRENTLY HELD BY THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (THE "SERIES 1998 B BONDS"); (4) WATER REVENUE BONDS, SERIES 2001 (BLUEFIELD AREA EXTENSION PROJECT), DATED OCTOBER 18, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,240,000 (THE "SERIES 2001 BONDS"); AND (5) WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED DECEMBER 8, 2005, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AMOUNT OF $84,180 (THE "SERIES 2005 B BONDS") (COLLECTIVELY, THE "FIRST LIEN BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the First Lien Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2005 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies

in the Series 2005 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the First Lien Bonds; provided however, that so long as there exists in the Series 2005 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the First Lien Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wet lands to produce an agriculture commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the

issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net 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 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2005 A Bond described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2005.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 2005 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 2005 B
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. BR-___ $_____

KNOW ALL MEN BY THESE PRESENTS: That on the ___ day of _____, 2005, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, a public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns, the sum of _____ DOLLARS ($_____), in annual installments on October 1 of each year, commencing _____ 1, 200___, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable semiannually on April 1 and October 1 of each year, commencing _____ 1, 200___, as set forth on Exhibit A attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 2005.

This Bond is issued (i) to pay arrearages in and fully fund the Series 2001 Bonds Reserve Account; and (ii) to pay certain costs of issuance of the Bonds and related costs.

The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 1 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2005, and a Supplemental Resolution duly adopted by the Issuer on _____, 2005 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS WITH THE ISSUER'S: (1) WATER REVENUE BONDS, SERIES 1996 A, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000, CURRENTLY HELD BY RURAL UTILITIES SERVICE (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000, CURRENTLY HELD BY RURAL UTILITIES SERVICE (THE "SERIES 1996 B BONDS"); (3) WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED SEPTEMBER 24, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $890,000, CURRENTLY HELD BY THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (THE "SERIES 1998 B BONDS"); (4) WATER REVENUE BONDS, SERIES 2001 (BLUEFIELD AREA EXTENSION PROJECT), DATED OCTOBER 18, 2001, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,240,000 (THE "SERIES 2001 BONDS"); AND (5) WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND) DATED DECEMBER 8, 2005, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AMOUNT OF $5,085,825 (THE "SERIES 2005 A BONDS") (COLLECTIVELY, THE "FIRST LIEN BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the First Lien Bonds and from unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, or the interest hereon, except

from said special fund provided from the Net Revenues and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the First Lien Bonds; provided however, that so long as there exists in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the First Lien Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to paying arrearages in and fully funding the Series 2001 Bonds Reserve Account and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, this Bond will be in default should any proceeds of this Bond be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wet lands to produce an agriculture commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2005 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2005.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreements. The Series 2005 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreements. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreements in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreements to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreements, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolution) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

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

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

(3) Renewal and Replacement Fund (resulting from the combination with the Renewal and Replacement Account and the Depreciation Fund established by the Prior Resolution); and

(4) Series 2005 A Bonds Construction Trust Fund.

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

(1) Series 2005 A Bonds Sinking Fund;

(2) Series 2005 A Bonds Reserve Account; and

(3) Series 2005 B Bonds Sinking Fund.

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

(1) The Issuer shall first, each month, transfer from the Revenue Fund to the Operation and Maintenance Account the amounts necessary to pay the Operating Expenses of the System.

(2) The Issuer shall next, each month, transfer from the Revenue Fund and (i) make the interest payments on the Prior Bonds in the amounts and on the dates required by the Prior Resolution; and (ii) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 2005 B Bonds for which interest has not been capitalized or as required in the Loan Agreements, remit to the Commission for deposit in the Series 2005 B Bonds Sinking Fund, an amount equal to 1/6th of the amount of interest which will become due on the Series 2005 B Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 B Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next semiannual interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) make the principal payments of the Prior Bonds in the amounts and on the dates required by the Prior Resolution; (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2005 A Bonds, remit to the Commission for deposit in the Series 2005 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2005 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (iii) on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 2005 B Bonds, remit to the Commission for deposit in the Series 2005 B Bonds Sinking Fund, an amount equal to 1/12th of the amount of principal which will mature and become due on the Series 2005 B Bonds on the next ensuing annual principal payment date; provided that, in the event the

period to elapse between the date of such initial deposit in the Series 2005 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and (i) make the reserve account payments of the Prior Bonds in the amounts and on the dates required by the Prior Resolution; and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2005 A Bonds, if not fully funded upon issuance of the Series 2005 A Bonds, remit to the Commission for deposit in the Series 2005 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2005 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2005 A Bonds Reserve Requirement.

(5) The Issuer shall next, each month, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, the moneys remaining in the Revenue Fund until there has been accumulated therein the aggregate sum of $34,000.00 and so long as the Series 2005 Bonds are outstanding, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Accounts. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvest in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies

remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose of the System.

Monies in the Series 2005 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2005 A Bonds, as the same shall become due. Monies in the Series 2005 A Bonds Reserve Account shall, during construction of the Project, be deposited in the Series 2005 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be used only for the purposes of paying principal of and interest, if any, on the Series 2005 A Bonds, as the same shall come due, when other monies in the Series 2005 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2005 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2005 A Bonds, and then to the next ensuing principal payment due thereon.

Monies in the Series 2005 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2005 B Bonds, as the same shall become due.

All investment earnings on monies in the Series 2005 B Bonds Sinking Fund shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2005 B Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2005 A Bonds Reserve Account which result in a reduction in the balance therein to below the Series 2005 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 2005 Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2005 A Bonds Sinking Fund when the aggregate amount of funds therein are at least

equal to the aggregate principal amount of the Series 2005 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Issuer shall not be required to make any further payments into the Series 2005 B Bonds Sinking Fund when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2005 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Interest, principal or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2005 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2005 A Bonds Sinking Fund, the Series 2005 B Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the respective Series 2005 Bonds Sinking Funds and the Series 2005 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2005 Bonds Sinking Funds and the Series 2005 A Bonds Reserve Accounts shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2005 Bonds, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 2005 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

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 the Revenue Fund a balance in excess of the estimated amounts required to

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

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

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

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

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

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Series 2005 A Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. 1. From the monies received from the sale of the Series 2005 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2005 A Bonds, there shall first be deposited with the Commission in the Series 2005 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2005 A Bonds for the period commencing on the date of issuance of the Series 2005 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2005 A Bonds, there shall be deposited with the Commission in the Series 2005 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2005 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2005 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2005 A Bonds Construction Trust Fund and applied solely to payment of the costs of the acquisition and construction of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2005 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2005 A Bonds shall be applied as directed by the Council.

2. From the monies received from the sale of the Series 2005 B Bonds, the following amount shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2005 B Bonds, there shall be deposited with the Commission in the Series 2001 Bonds Reserve Account the amount set forth in the Supplemental Resolution to fully fund Series 2001 Bonds Reserve Account to the amount required by the Prior Resolution.

B. Any remaining proceeds of the Series 2005 B Bonds shall be deposited in the Series 2005 A Bonds Construction Trust Fund and used first to pay costs of issuance and, then to pay costs of the Project.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2005 A Bonds Construction Trust Fund shall be made only after submission to and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, monies in the Series 2005 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2005 A Bonds within 3 years of the date of issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2005 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2005 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2005 Bonds shall not be nor 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 Bond Legislation. No Holder or Holders of the Series 2005 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2005 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2005 Bonds shall be secured by a first lien on such Net Revenues derived from the System on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2005 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreements. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered January 7, 2005, in Case No. 04-0233-PWD-CN.

So long as the Series 2005 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreements. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2005 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolution. Additionally, so long as the Series 2005 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2005 Bonds, immediately be remitted to the Commission for deposit in the Series 2005 Bonds Sinking Funds, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2005 Bonds. Any balance remaining after the payment of the Series 2005 Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into such account by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2005 Bonds. All obligations issued by the Issuer after the issuance of the Series 2005 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, and source of and security for payment from such revenues and in all other respects, to the Series 2005 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2005 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 2005 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2005 Bonds pursuant to this Bond Legislation, without

the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2005 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of additions extensions, improvements or betterments to the System or refunding any outstanding Bonds, or both such purposes.

So long as the Prior Bonds held by the United States of America are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds held by the United States of America, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Prior Bonds held by the United States of America are no longer outstanding, the following parity requirement shall be met:

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates adopted by the Issuer, the time for appeal of which shall have expired prior to the issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period herein above referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. All 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 Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2005 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2005 Bonds.

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

Issuer then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

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

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2005 Bonds, and shall mail in each year to any Holder or Holders of the Series 2005 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2005 Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2005 Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreements and the Act, the Issuer has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

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

Section 7.09. Rates. Prior to the issuance of the Series 2005 Bonds, equitable rates or charges for the use of and service rendered by the System shall 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 the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate

of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2005 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 2005 Bonds Reserve Accounts and the reserve accounts for obligations on a parity with the Series 2005 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2005 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall within 30 days of adoption thereof mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and on behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached

to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

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

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

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

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by

law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2005 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from claims for damage to property

of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

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

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer

shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion, Operation and Maintenance of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer shall take all steps to properly operate and maintain the System and make the necessary replacements due to normal wear and tear so long as the Series 2005 Bonds are outstanding.

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2005 Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. [RESERVED].

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2005 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2005 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Compliance with Loan Agreements and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreements and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer shall provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2005 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2005 Bonds held in "contingency" as set forth in the schedule attached to the Certificate of Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2005 Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2005 Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest, if any, on the Series 2005 Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to the Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2005 Bonds as a condition to issuance of the Series 2005 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2005 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2005 Bonds which would cause any bonds, the interest on which

is exempt from federal income taxation under Section 103(a) of the Code; issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2005 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2005 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2005 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2005 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2005 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, or Paying Agent, or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the holders of the Series 2005 Bonds shall be on a parity with the of the holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after

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

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no

court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2005 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2005 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2005 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2005 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2005 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2005 Bonds shall be made without the consent in writing of the Registered Owners of the Series 2005 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2005 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 2005 Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolution. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Bond Legislation and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Flatwoods-Canoe Run Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2005 Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2005 Bonds authorized hereby;

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

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

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

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

Adopted this 16th day of November, 2005.

James Rogers

Chairman

05/06/05
292120.00001

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 16th day of November, 2005.

Dated: December 8, 2005.

[SEAL]

Ethel Drake

Secretary

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2005 A
(West Virginia Infrastructure Fund)
and
Water Revenue Bonds, Series 2005 B
(West Virginia Water Development Authority)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND) AND WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENTS RELATING TO THE BONDS; AUTHORIZING AND APPROVING THE SALE OF THE BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; MAKING OTHER PROVISIONS AS TO THE BONDS; PROVIDING FOR THE ESTABLISHMENT OF THE SERIES 1996 BONDS RESERVE ACCOUNTS AT THE WEST VIRGINIA MUNICIPAL BOND COMMISSION AND PROVIDING FOR THE FUNDING OF ARREARAGES IN THE SERIES 2001 BONDS RESERVE ACCOUNT.

WHEREAS, the Public Service Board (the "Governing Body") of Flatwoods-Canoe Run Public Service District (the "Issuer") has duly and officially adopted a bond resolution, on November 16, 2005 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS,

BETTERMENTS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $5,085,825 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING THE ISSUANCE OF THE WATER REVENUE BONDS, SERIES 2005 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) BY THE DISTRICT IN AN AMOUNT NOT TO EXCEED $84,180 FOR THE PURPOSE OF FUNDING THE ARREARAGES IN THE SERIES 2001 BOND RESERVE ACCOUNT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer (the "Series 2005 A Bonds"), and the Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority) (the "Series 2005 B Bonds," and collectively with the Series 2005 A Bonds, the "Series 2005 Bonds"), in the principal amounts not to exceed $5,085,825 and $84,180, respectively, and has authorized the execution and delivery of the loan agreement relating to the Series 2005 A Bonds, including all schedules and exhibits attached thereto by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the loan agreement relating to the Series 2005 B Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the Authority (collectively, the "Loan Agreements"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond

Resolution it is provided that the form of the Loan Agreements and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale prices and other terms of the Series 2005 Bonds should be established by a supplemental resolution pertaining to the Series 2005 Bonds; and that other matters relating to the Series 2005 Bonds be herein provided for;

WHEREAS, the Loan Agreements have been presented to the Issuer at this meeting;

WHEREAS, the Series 2005 Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreements; and

WHEREAS, the Issuer has previously issued its Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000 (the "Series 1996 A Bonds"), and the Water Refunding Revenue Bond, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000 (the "Series 1996 B Bonds," and collectively, the "Series 1996 Bonds") which are held by the United States Department of Agriculture (the "Purchaser");

WHEREAS, the Series 1996 Bonds are secured by a reserve account pledged for the payment of principal of and interest on the Series 1996 Bonds (hereinafter, the "Series 1996 Bonds Reserve Account"), pursuant to the resolution of the Issuer adopted on June 12, 1996, authorizing the Series 1996 Bonds (the "1996 Resolution");

WHEREAS, the Purchaser has requested that the Issuer establish the Series 1996 Bonds Reserve Account with the West Virginia Municipal Bond Commission (the "Commission");

WHEREAS, the 1996 Resolution provides that it may be amended by supplemental resolution with the prior written consent of the Purchaser and such consent has been received by the Issuer; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreements be approved and ratified by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal payment dates, the sale price and other terms of the Series 2005 Bonds be fixed hereby in the

manner stated herein, and that other matters relating to the Series 2005 Bonds be herein provided for that the;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

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

A. Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $5,085,825. The Series 2005 A Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2045, and shall bear no interest. The principal of the Series 2005 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2007, and maturing September 1, 2045, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreements and incorporated in and made a part of the Series 2005 A Bonds. The Series 2005 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2005 A Bonds.

B. Water Revenue Bonds, Series 2005 B (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, number BR-1, in the principal amount of $84,180. The Series 2005 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2007, and shall bear interest at the rate of 5.0% per annum, payable semiannually on April 1 and October 1 of each year, commencing April 1, 2006. The principal of the Series 2005 B Bonds shall be payable annually on October 1 of each year, commencing October 1, 2006 and maturing October 1, 2007, and in the amounts as set forth in the in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2005 B Bonds. The Series 2005 B Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreements, so long as the Authority shall be the registered owner of the Series 2005 B Bonds.

Section 2. All other provisions relating to the Series 2005 Bonds and the text of the Series 2005 Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreements, including all schedules and exhibits attached thereto, copies of which are incorporated herein by reference, and the execution and delivery of the Loan Agreements by

the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreements and in the application to the Council and the Authority. The price of the Series 2005 Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2005 A Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2005 Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2005 Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Bank of Gassaway, Gassaway, West Virginia to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2005 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2005 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2005 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2005 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2005 A Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2005 A Bonds Construction Trust Fund for payment of the costs of the acquisition and construction of the Project, including, without limitation, costs of issuance of the Series 2005 A Bonds and related costs.

Section 10. Series 2005 B Bonds proceeds in the amount of $79,680 shall be deposited with the Commission in the Series 2001 Bonds Reserve Account in order to fully fund the Series 2001 Bonds Reserve Account to the amount required by the Prior Resolutions. The remaining proceeds of the Series 2005 B Bonds in the amount of $4,500 shall be deposited in the Series 2005 A Bonds Construction Trust Fund and used first to pay costs of issuance and then to pay costs of the Project.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates

required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2005 Bonds may be delivered on or about December 8, 2005, to the Authority pursuant to the Loan Agreements.

Section 12. The acquisition and construction of the Project and the financing thereof, in part with proceeds of the Series 2005 Bonds, is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Series 2005 Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2005 Bonds Sinking Funds, including the Series 2005 Bonds Reserve Accounts therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project and the Chairman is hereby authorized and directed to execute and deliver all such contracts.

Section 15. The Issuer hereby approves the establishment of the Series 1996 Bonds Reserve Account with the Commission.

Section 16. The Issuer hereby approves the amendment of the 1996 Resolution as follows:

A. The Series 1996 Bonds Reserve Account is held by the Commission.

B. The Commission is designated as the Fiscal Agent for the administration of the Series 1996 Bonds Reserve Account as herein provided, and all amounts required for the Series 1996 Bonds Reserve Account will be deposited therein by the Issuer upon transfer of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

C. The Issuer shall, on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required reserve account payment with respect to the Series 1996 Bonds and all such

payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

D. Monies in the Series 1996 Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

E. Earnings from monies in Series 1996 Bonds Reserve Account, so long as the reserve requirement is on deposit in such account and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

F. The Issuer shall remit from the Revenue Fund to the Commission such additional sums as shall be necessary to pay the charges and fees of the Commission then due.

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

Section 17. The Series 1996 Bonds Reserve Account shall be established with the Commission, and the aforementioned amendments relating to the Series 1996 Bonds Reserve Account shall become effective, on the date hereof.

Section 18. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 16th day of November, 2005.

FLATWOODS-CANOE RUN
PUBLIC SERVICE DISTRICT

By: _____
Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Flatwoods-Canoe Run Public Service District on this 16th day of November 2005.

Dated: December 8, 2005.

[SEAL]

Secretary

05/09/05
292120.00001

expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

H. The period of usefulness of the System after completion of the Project is not less than thirty (30) years.

I. It is in the best interests of the Issuer that its Bonds be sold to the Purchaser pursuant to the terms and provisions of a Bond Purchase Agreement entered into between the Issuer and the Purchaser.

J. The Issuer has complied with all requirements of West Virginia law relating to authorization of such financing and the acquisition, construction and equipping of the Project and issuance of the Bonds including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia in Case No. 00-1572-PWD-CN, which became a Final Order of the Public Service Commission on _____, 2001. Prior to any acquisition and construction of the Project and issuance of any additional indebtedness, the Issuer will comply with all requirements of West Virginia law including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, if necessary, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or such final order will not be subject to appeal. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

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

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

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

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

"Board" means the Public Service Board of the Issuer, as created and appointed by the County Commission of Braxton County, West Virginia pursuant to the provisions of Section 3 of the Public Service Districts Act, and any successor thereto.

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

"Bond Registrar" or "Registrar" means the bank or other entity acquisition, construction and equipping as such in Section 4.03 E. hereof, and its successors and assigns.

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

"Bonds" means not to exceed $2,500,000 in aggregate principal amount of Flatwoods-Canoe Run Public Service District, Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), issued for the purposes of financing certain debt and the acquisition, construction and equipping the Project, and any bonds on a parity therewith authorized to be issued hereunder.

"Chairman" means the Chairman of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, 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 1.02G hereof to be a part of the costs of financing certain debt and the acquisition, construction and equipping of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, related to principal which has been retired before the beginning of such period.

"Depository Bank" means the bank designated as such in Section 4.03 E. hereof, 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 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the public service board of the Issuer or other legally constituted governing body of the Issuer, as may hereafter be constituted.

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

"Grant Agreement" means a written commitment for any Grant, 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 such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Grants" means any grant or grants received by the Issuer in aid of the design, acquisition and construction of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncorrectable 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 7.01 hereof).

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

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

"Issuer" means the Flatwoods-Canoe Run Public Service District, in Braxton County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

"Parity Bonds" means any existing parity debt and additional bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Paying Agent" or "Commission" means the West Virginia Municipal Bond Commission, its successors and assigns, as designated in Section 4.03 E. hereof.

"Prior Bonds" means the outstanding existing debt of the Issuer as set forth in Section 1.02C above.

"Prior Resolutions" means the resolutions adopted by the Issuer, authorizing the issuance of the Prior Bonds.

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

"Project" means the acquisition, construction and equipping and engineering of certain additions, betterments and improvements for Water facilities of the Issuer, within or surrounding the Flatwoods-Canoe Run Public Service District and all appurtenant facilities.

"Project Account" means the Project Account established by Section 4.01 hereof.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); and

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

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

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

"Registrar" means the bank or trust company designated as such in Section 4.03 E. hereof, and its successors and assigns.

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

"Renewal and Replacement Account" means the Renewal and Replacement Account established by Section 4.01 hereof.

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

"Revenue" or "System Revenue Fund" means the Revenue or System Revenue Fund established by Section 4.01 hereof.

"Secretary" means the Secretary or Acting Secretary of the Issuer.

"Series 2001 Bond Reserve Account" means the Series 2001 Bond Reserve Account established in the Series 2001 Bond Sinking Fund pursuant to Section 4.02 hereof.

"Series 2001 Bond Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the 2001 Bonds in the then current or any succeeding year.

"Series 2001 Bond Sinking Fund" means the Series 2001 Bond Sinking Fund established by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution.

"Surplus Revenues" means the Net Revenues not required by the Resolution to be set aside and held for the payment of or security for the Bonds, or any other obligations of the Issuer, including the Renewal and Replacement Account, and the Series 2001 Bond Reserve Account, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

ARTICLE II

AUTHORIZATION OF FUNDING AND ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE PROJECT

Section 2.01. Authorization of Funding and Acquisition, Construction and Equipping of the Project. There is hereby authorized the acquisition, construction and equipping of the Project at an estimated cost of $3,490,000 in accordance with plans and specifications prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received proposals and has entered or will enter into contracts for the acquisition, construction and equipping of the Project.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS

Section 3.01. Authorization of Bonds. For the purposes of paying for the acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be issued negotiable Bonds of the Issuer, in the aggregate principal amount not to exceed $2,500,000. Said Bonds shall be issued and designated as "Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project)", and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Series 2001 Bond Reserve Account (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Project Account established by Section 4.01 hereof.

Section 3.02. **Terms of Bonds**. The Bonds shall be registered and numbered consecutively from R-1 upward. The Bonds shall bear interest at the rates set forth herein or in a Supplemental Resolution. Repayment of principal and interest shall begin _____ (___) months after the completion date. The Bonds shall mature in thirty (30) years and shall be redeemable, in whole or in part, as prescribed herein. The Bonds shall be payable as to principal and interest at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal and interest, is legal tender for the payment of public or private debts under the laws of the United States of America.

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

Subsequent series of Bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Resolution.

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

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

Section 3.05. **Negotiability, Transfer and Registration.** Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and

incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Bond Registrar 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 Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

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

Section 3.07. Bonds not to be Indebtedness of Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 2001 Bond

Reserve Account. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured by a parity lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and any other debt on a parity therewith and to make the payments into the Series 2001 Bond Sinking Fund, the Series 2001 Bond Reserve Account therein and the Renewal and Replacement Account, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the 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 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS,
SERIES 2001
(BLUEFIELD AREA EXTENSION PROOJECT)

No. R-1 $2,___,000

Date: _____, 2001

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of The Depository Trust Company ("DTC") or registered assigns, the sum of Two Million _____ Thousand and 00/100 Dollars ($2,___,000.00), plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at ____ percent (__%) per annum. Principal and interest on the Bond is payable annually commencing _____ 1, 200_, and on each _____ 1 thereafter, and interest is payable on _____ 1 and _____ 1 of each year beginning on _____1, 200_, as set forth on the "Debt Service Schedule" attached as Exhibit A hereto and incorporated herein by reference. The final installment of principal and interest shall be paid at the end of twenty (20) years from the date amortization of debt service on the Bond begins and shall be in an amount equal to the amount of outstanding principal and interest due on the Bond at said date.

Principal and interest installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal and interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of City National Bank of West Virginia, at its principal office in Charleston, West Virginia (the "Registrar"), on the 25th day of the month next preceding such payment date.

This Bond may be redeemed prior to its stated date of maturity in whole at par upon the terms and conditions prescribed hereby.

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

Resolution duly adopted by the Issuer on July 18, 2001 (the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Resolution.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, from moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 2001 Bond Reserve Account") and unexpended proceeds of the Bonds on parity with the Issuer's Water Revenue Bonds, Series 1996 A and Water Refunding Revenue Bonds, Series 1996 B and Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund) (collectively, the "Parity Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 2001 Bond Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Parity Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Series 2001 Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the

payment of the Costs of the Project described in the Resolution and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

THIS BOND IS ON PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THOSE CERTAIN WATER REVENUE BONDS, SERIES 1996 A AND WATER REFUNDING REVENUE BONDS, SERIES 1996 B AND WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DESCRIBED HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of 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 Resolution, 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated _____, 2001.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

[SEAL]

By: _____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2001 Bond described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2001

CITY NATIONAL BANK OF WEST VIRGINIA

By: _____

Its _____

EXHIBIT A

DEBT SERVICE SCHEDULE

ASSIGNMENT

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

Dated: _____, 200__.

_____
(Assignor)

Witnessed in the presence of:

_____

Section 3.10. **Sale of Bonds.** The Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Bond Purchase Agreement. The Chairman is specifically authorized and directed to execute all documents with such changes, insertions and omissions as may be approved by the Chairman, the execution of which shall be conclusive evidence of such approval, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver such documents as are necessary to cause the Bonds to be issued.

Section 3.11. **Certificate of Consulting Engineers.** Prior to the issuance of the Series 2001 Bonds, the Issuer must obtain the certificate of the Consulting Engineers to the effect that the Project has been or will be acquired, constructed and equipped in accordance with approved plans and specifications, the Project is or will be adequate for the purposes for which it will be acquired, constructed and equipped, and the funding plan is sufficient to pay the costs of the acquisition, construction and equipping of the Project.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. **Establishment of Funds and Accounts with Depository Bank.** The following special funds or accounts are created or continued and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund or System Revenue Fund;

(a) Operation and Maintenance Account; and

(b) Renewal and Replacement Account

(2) Project Account.

(3) Rebate Fund.

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

(1) Series 2001 Bond Sinking Fund;

(a) Within the Series 2001 Bond Sinking Fund, the Series 2001 Bond Reserve Account.

Section 4.03. **System Revenues; Flow of Funds.**

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. 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 the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Account the amount necessary and sufficient to pay current Operating Expenses.

(2) The Issuer shall, beginning six (6) months prior to the due date, in order to provide debt service on the Bonds and on any Parity Bonds on a prorata basis, deposit in the Series 2001 Sinking Fund one-sixth (1/6) of the interest payment next coming due on the Bonds and on any Parity Bonds and one-twelfth (1/12) of the principal payment next coming due on the Bonds and on any Parity Bonds beginning twelve (12) months prior to the first date of payment of principal of the Bonds. The Issuer shall submit payments monthly to the Commission with instructions that the Commission will make semi-annual payments of interest and annual payments of principal to DTC at such address as is given to the Commission in writing.

(3) The Issuer shall next, on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit into the Series 2001 Bond Reserve Account, an amount equal to 1/120 of the Series 2001 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 2001 Bond Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2001 Bond Reserve Requirement.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, transfer to the Renewal and Replacement Account, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Account shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Account for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 2001 Bond Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof,] shall be promptly eliminated with moneys from the Renewal and Replacement Account.

Moneys in the Series 2001 Bond Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 2001 Bond Reserve Account shall be used only for the purpose of paying principal of and interest on the Bonds,

as the same shall come due, when other moneys in the attendant Series 2001 Bond Sinking Fund are insufficient therefor, and for no other purpose.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 2001 Bond Sinking Fund and Series 2001 Bond Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during acquisition, construction and equipping of the Project, be deposited in the Project Account, and following completion of acquisition, construction and equipping of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 2001 Bond Reserve Account which result in a reduction in the balance of the Series 2001 Bond Reserve Account to below the Series 2001 Bond Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 2001 Bond Sinking Fund for payment of debt service on the Bonds.

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

The Issuer shall not be required to make any further payments into the Series 2001 Bond Sinking Fund or into the Series 2001 Bond Reserve Account therein when the aggregate amount of funds in said Series 2001 Bond Sinking Fund and Series 2001 Bond Reserve Account are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Resolution then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2001 Bond Sinking Fund created hereunder, and the Issuer shall remit all amounts required for said Series 2001 Bond Sinking Fund to the Commission from the Revenue Fund at the times provided herein.

The payments into the Series 2001 Bond 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 Series 2001 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 2001 Bond Sinking Fund, including the Series 2001 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 2001 Bond Sinking Fund, including the Series 2001 Bond Reserve Account therein and the Renewal and Replacement Account during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bonds or for any lawful purposes of the Issuer.

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

E. Bank of Gassaway is hereby designated as the Depository Bank, City National Bank of West Virginia is hereby designated as the Registrar, and West Virginia Municipal Bond Commission is hereby designated as Paying Agent for the Bonds.

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

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

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

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

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 2001 Bond Reserve Account, provided that the Series 2001 Bond Reserve Account is not funded to the Series 2001 Bond Reserve Requirement.

ARTICLE V

BOND PROCEEDS; DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time 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. From the proceeds of the Bonds, there shall be deposited with the Commission in the Series 2001 Bond Reserve Account the sum, if any, required hereunder for funding the Series 2001 Bond Reserve Account.

B. The remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer as received from time to time in the Project Account established hereunder.

C. The Depository Bank shall comply with all requirements with respect to the disposition of the Project Account set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Project Account shall be used solely to pay Costs of the Project and, until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 5.02. Disbursements from the Project Account. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 5.01 hereof, disbursements from the Project Account shall be made only after submission to and approval from the Issuer of the following:

(1) a completed and signed "Payment Requisition Form" and

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

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

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

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

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

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Project Account only the net amount remaining after deduction of any such portion. All payments made from the Project Account shall be presumed by

the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Project Account.

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

Until disbursed by the Issuer, moneys in the Project Account, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, the Depository Bank shall transfer any moneys remaining in the Project Account, if any, to the Series 2001 Bond Reserve Account, and if the Series 2001 Bond Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. 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 VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Bonds 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 shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith by a lien on the Net Revenues derived from the operation of the System collected by the Issuer and authorized by an Order of the Public Service Commission of West Virginia in Case No. 00-1572-PWD-CN, dated September 5, 2001. 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 Series 2001 Bond Sinking Fund, including the Series 2001 Bond Reserve Account therein, and all other payments provided for in the Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Resolution.

Section 6.04. Rates. Prior to issuance of the Bonds, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or 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 purchaser 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 (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds and the Parity Bonds; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Series 2001 Bond Reserve Account and the reserve account for the Bonds is funded at least at the requirement provided for in the Resolution, such balance each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds.

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

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Resolution in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 2001 Bond Sinking Fund, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal and interest at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable

in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Account. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall be remitted by the Issuer to the Commission for deposit in the Series 2001 Bond Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 2001 Bond Sinking Fund or the Renewal and Replacement Account 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 $50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally 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 and the Parity Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds and the Parity Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 2001 Bond Reserve Account and the Renewal and Replacement Account at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues

of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 6.08. Parity Bonds. A. No additional parity bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bonds issued pursuant to this Resolution, except under the conditions and in the manner herein provided.

All additional parity bonds issued hereunder shall be on a parity in all respects with the Bonds and the Parity Bonds.

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

No 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 fifteen percent (115%) of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Parity Bonds and the Bonds then Outstanding;

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

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

The "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 adopted by the Issuer, 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 (12) consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants,

on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such 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.

All 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. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this 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 Bond Resolution or 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 liens 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 such additional parity bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

B. Notwithstanding the foregoing, the Issuer may issue additional parity bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

Anything to the contrary in this Section 6.08 notwithstanding, additional parity bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Project in accordance with the plans and specifications, in the event that the Bonds should be

insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition, construction and equipping of the Project; provided, however, that, prior to the issuance of such additional parity bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such additional parity bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the acquisition, construction and equipping costs to complete the Project, and the maturity of such additional parity bonds shall be no longer than the maturity of the Bonds.

Section 6.09. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Resolution 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 Issuer shall keep complete and accurate records of the costs of acquisition, construction and equipping the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit the Holder of a Bond or Bonds, or its agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Holder of a Bond or Bonds such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Holder of a Bond or Bonds, or their agents and representatives, to inspect all records pertaining to the acquisition, construction and equipping and operation of the System at all reasonable times following completion of acquisition, construction and equipping of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer shall 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 owner of a Bond or Bonds issued pursuant to the Resolution 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. The Issuer shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system, which may

be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

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

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

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

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and the Purchaser of the Bonds. Such audit report submitted to the Purchaser shall include a statement that the Issuer is in compliance with the terms and provisions of this Resolution and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

Section 6.10. Compliance With Rules and Regulations. The Issuer hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by any state, federal or local bodies in regard to the acquisition, construction and equipping and construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated reserves and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Holder of

any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bonds.

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the acquisition, construction and equipping of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and drawings prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and design, or amendments thereto, approved by all necessary governmental bodies.

Section 6.13. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.14. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

Section 6.15. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the

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

Section 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer and its contractors and subcontractors will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Account 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 Account. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Purchaser, the prime contractor and all subcontractors as their respective interests may appear during construction of the Project on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%) of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

C. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. Such insurance shall be made payable to the order of the Purchaser, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 6.17. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and State requirements and standards.

The Issuer will obtain all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a

loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

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

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

Section 6.19. Securities Law Compliance. The Issuer will provide the Purchaser, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Purchaser may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 6.20. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for financing such indebtedness and the acquisition, construction and equipping and construction of the Project and operation of the System, and the Purchaser shall receive an opinion of counsel to the Issuer to such effect.

ARTICLE VII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 7.01 and in Section 7.02 and 7.03.

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

Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are outstanding.

Section 7.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal Information Return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

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

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

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

The Issuer shall submit to the Purchaser within fifteen (15) days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Purchaser a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Bonds subject to rebate. The Issuer shall furnish to the Purchaser such information with respect to earnings on all moneys constituting "Gross Proceeds" of the Bonds (as such term is defined in the Code) from time to time as the Purchaser may request. The Issuer shall also furnish to the Purchaser, at any time, such additional information relating to rebate as may be reasonably requested by the Purchaser, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as defined in the Code).

The Issuer shall furnish to the Purchaser, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Purchaser and shall furnish to the Purchaser such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Purchaser may request.

Section 7.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE VIII

DEFAULT AND REMEDIES

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

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

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

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

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

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Resolution 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 Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bond and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this 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 Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

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

DEFEASANCE

Section 9.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to the Bonds only the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

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

ARTICLE X

MISCELLANEOUS

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

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

Section 10.03. Severability of Invalid Provisions. If any court of competent jurisdiction should hold any section, paragraph, clause or provision of this Resolution invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, a Supplemental Resolution or the Bonds.

Section 10.04. Headings, Etc. The headings and captions of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 10.05. Conflicting Provisions Repealed. Subject to the continuing applicability of the Prior Resolution, all ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 10.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.07. Effective Date. This Resolution shall take effect immediately upon its adoption.

Section 10.08. Statutory Notice of Meeting and Bond Issue. Notice of the date, time and place of the meeting at which the Governing Body considered this Resolution for adoption was given at least ten (10) days in advance thereof by Class I legal advertisement in the *Braxton Citizens News*, a newspaper of general circulation in the area served by the Issuer.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: James Rogers
Chairman

[SEAL]

ATTEST:

Secretary

CERTIFICATION

The undersigned does hereby certify that the attached Resolution is a true and accurate copy of a Resolution duly adopted by the Public Service Board of the FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on July 18, 2001, and that the foregoing document remains in full force and effect and has not been amended.

Dated: July 18, 2001.

[SEAL]

Secretary

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REVENUE BONDS,
SERIES 1998 A AND SERIES 1998 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	1
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	4
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	12
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT		
Section 3.01	Authorization of Bonds	13
Section 3.02	Terms of Bonds	13
Section 3.03	Execution of Bonds	14
Section 3.04	Authentication and Registration	14
Section 3.05	Negotiability, Transfer and Registration	14
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	15
Section 3.07	Bonds not to be Indebtedness of the Issuer	15
Section 3.08	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	16
Section 3.09	Delivery of Bonds	16
Section 3.10	Form of Bonds	16

	FORM OF SERIES 1998 A BOND	17
	FORM OF SERIES 1998 B BOND	26
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	35
Section 3.12	"Amended Schedule" Filing	35

ARTICLE IV
[RESERVED] 36

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	37
Section 5.02	Establishment of Funds and Accounts with Commission	37
Section 5.03	System Revenues; Flow of Funds	37

ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	43
Section 6.02	Disbursements From the Bond Construction Trust Fund	44

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	45
Section 7.02	Bonds not to be Indebtedness of the Issuer	45
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds	45
Section 7.04	Initial Schedule of Rates and Charges	45
Section 7.05	Sale of the System	45
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	46
Section 7.07	Parity Bonds	47
Section 7.08	Books; Records and Audit	49
Section 7.09	Rates	50
Section 7.10	Operating Budget and Monthly Financial Report	51
Section 7.11	Engineering Services and Operating Personnel	51
Section 7.12	No Competing Franchise	52
Section 7.13	Enforcement of Collections	52
Section 7.14	No Free Services	53
Section 7.15	Insurance and Construction Bonds	53
Section 7.16	Connections	54
Section 7.17	Completion and Operation of Project; Permits and Orders	54

Section 7.18	Tax Covenants	55
Section 7.19	Statutory Mortgage Lien	56
Section 7.20	Compliance with Loan Agreement and Law	56
Section 7.21	Securities Laws Compliance	56
Section 7.22	Contracts	56

ARTICLE VIII
INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01	Investments	57
Section 8.02	Arbitrage and Tax Exemption	57
Section 8.03	Tax Certificate and Rebate	58

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	60
Section 9.02	Remedies	60
Section 9.03	Appointment of Receiver	60

ARTICLE X
PAYMENT OF BONDS

Section 10.01	Payment of Bonds	63

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	64
Section 11.02	Bond Legislation Constitutes Contract	64
Section 11.03	Severability of Invalid Provisions	64
Section 11.04	Headings, Etc.	64
Section 11.05	Conflicting Provisions Repealed; Prior Resolution	64
Section 11.06	Covenant of Due Procedure, Etc.	65
Section 11.07	Public Notice of Proposed Financing	65
Section 11.08	Effective Date	66
	SIGNATURES	66
	CERTIFICATION	67
	EXHIBIT A	68

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $160,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN $890,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation"), supplemental to the Prior Resolution (as hereinafter defined), is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Braxton County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public waterworks facilities of the Issuer, consisting of certain improvements to its water treatment plant and distribution system, together with all appurtenant facilities (collectively, the "Project") (the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $1,050,000 in two series (collectively, the "Series 1998 Bonds"), being the Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $160,000 (the "Series 1998 A Bonds"), and the Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $890,000 (the "Series 1998 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 1998 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1998 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1998 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 1998 Bonds be sold to the Authority pursuant to the terms and provisions of the respective loan agreements by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), both loan agreements in form satisfactory to the respective parties (collectively, the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 1998 Bonds as to liens, pledge and source of and security for payment, being the Water Revenue Bonds, Series 1996 A, dated June 12, 1996, issued in the original aggregate principal amount of $240,000, and the Water Refunding Revenue Bonds, Series 1996 B, dated June 12, 1996, issued in the original aggregate principal amount of $70,000 (collectively, the "Prior Bonds"), pursuant to a resolution of the Issuer duly adopted June 12, 1996 (the "Prior Resolution").

The Issuer has met the parity requirements of the Prior Bonds and the Prior Resolution and the Series 1998 Bonds shall be issued on a parity with each other and with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 1998 Bonds, the Issuer will obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 1998 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest on the Series 1998 Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1998 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1998 Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1998 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1998 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A and Chapter 31, Article 15A 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 and Registered Owner of the Series 1998 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 1998 Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 1998 Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1998 Bonds from the Authority.

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

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

"Consulting Engineers" means Dunn Engineers, Inc., Charleston, West Virginia, and Howard K. Bell, Consulting Engineers, Inc., Lexington, Kentucky, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

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

"Depreciation Fund" means the Depreciation Fund created by the Prior Resolution and continued hereby.

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

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

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

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

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

"Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"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.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Flatwoods-Canoe Run Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Braxton County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means, collectively, the respective Loan Agreements heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 1998 Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1998 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use

limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1998 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 Bonds.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all monthly amortization payments upon the Bonds and into the Reserve Accounts and Depreciation Fund have been made to the last monthly payment date prior to the date of such retention.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 1998 Bonds in the Supplemental Resolution.

"Prior Bonds" means the Issuer's Water Revenue Bonds, Series 1996 A, and Water Refunding Revenue Bonds, Series 1996 B, described in Section 1.02G hereof.

"Prior Resolution" means the resolution of the Issuer duly adopted June 12, 1996, authorizing the Prior Bonds.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

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

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national

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

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

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

"Registrar" means the Bond Registrar.

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 1998 Bonds and the Prior Bonds.

"Reserve Fund" means the Reserve Fund created by the Prior Resolution and continued hereby.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 1998 Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by the Prior Resolution and continued hereby.

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

"Series 1998 A Bonds" means the Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1998 A Bonds Construction Trust Fund" means the Series 1998 A Bond Construction Trust Fund established by Section 5.01 hereof.

"Series 1998 A Bonds Reserve Account" means the Series 1998 A Bonds Reserve Account established in the Series 1998 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 A Bonds in the then current or any succeeding year.

"Series 1998 A Bonds Sinking Fund" means the Series 1998 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1998 B Bonds" means the Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1998 B Bonds Construction Trust Fund" means the Series 1998 B Bond Construction Trust Fund established by Section 5.01 hereof.

"Series 1998 B Bonds Reserve Account" means the Series 1998 B Bonds Reserve Account established in the Series 1998 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 B Bonds in the then current or any succeeding year.

"Series 1998 B Bonds Sinking Fund" means the Series 1998 B Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 1998 Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1998 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1998 Bonds, and not so included, may be included in another Supplemental Resolution.

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

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

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

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $1,428,178, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1998 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated to be $1,428,178, of which approximately $160,000 will be from proceeds of the Series 1998 A Bonds, approximately $890,000 will be from proceeds of the Series 1998 B Bonds and approximately $378,178 will be from proceeds of a grant from the Appalachian Regional Commission.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1998 Bonds, if any, funding a reserve account for the Series 1998 Bonds (if funded from Bond proceeds), paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1998 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1998 Bonds of the Issuer. The Series 1998 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund)," in the principal amount of not more than $160,000, and "Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund)," in the principal amount of not more than $890,000, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1998 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 1998 Bonds, if any, shall be deposited in or credited to the respective Bond Construction Trust Funds established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1998 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1998 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1998 Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1998 Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of each series of the Series 1998 Bonds. The Series 1998 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal

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

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Series 1998 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 Series 1998 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 the Series 1998 Bonds shall cease to be such officer of the Issuer before the Series 1998 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1998 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1998 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1998 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1998 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1998 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 such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1998 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 1998 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1998 Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1998 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1998 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Sinking Funds and Reserve Accounts. No holder or holders of the Series 1998 Bonds shall ever have the right to compel the exercise

of the taxing power of the Issuer, if any, to pay the Series 1998 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 A Bonds and the Series 1998 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holder of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1998 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1998 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1998 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1998 Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1998 Bonds.

Section 3.10. Form of Bonds. The text of the Series 1998 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 1998 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1998 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii)] to pay certain costs of issuance hereof and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 1996 A, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000 (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000 (THE "SERIES 1996 B BONDS") (THE SERIES 1996 A BONDS AND THE SERIES 1996 B BONDS ARE COLLECTIVELY REFERRED TO HEREIN AS THE "PRIOR BONDS"); AND (3) WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1998 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1998 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with

other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds; provided however, that so long as there exists in the Series 1998 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes

of the State of West Virginia and that a sufficient amount of the Net 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 1998 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1998 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Braxton County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii)] to pay certain costs of issuance hereof and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 1996 A, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $240,000 (THE "SERIES 1996 A BONDS"); (2) WATER REFUNDING REVENUE BONDS, SERIES 1996 B, DATED JUNE 12, 1996, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $70,000 (THE "SERIES 1996 B BONDS") (THE SERIES 1996 A BONDS AND THE SERIES 1996 B BONDS ARE COLLECTIVELY REFERRED TO HEREIN AS THE "PRIOR BONDS"); AND (3) WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1998 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1998 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with

other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 A Bonds; provided however, that so long as there exists in the Series 1998 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes

of the State of West Virginia and that a sufficient amount of the Net 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, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1998 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the respective Loan Agreements. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council a schedule in substantially the form attached to the respective Loan Agreements, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolution) and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

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

(2) Reserve Fund (established by the Prior Resolution);

(3) Depreciation Fund (established by the Prior Resolution);

(4) Series 1998 A Bonds Construction Trust Fund; and

(5) Series 1998 B Bonds Construction Trust Fund.

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

(1) Series 1998 A Bonds Sinking Fund;

(2) Within the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account;

(3) Series 1998 B Bonds Sinking Fund; and

(4) Within the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account.

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

(1) The Issuer shall first, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office the amounts required by the Prior Resolution to pay the interest on and the principal of the Prior Bonds; (ii) commencing 3 months prior to the first date of payment of interest on the Series 1998 A Bonds, for which interest has not been capitalized or as required in the Loan Agreement, remit to the Commission for deposit in the Series 1998 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1998 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 A Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date; (iii) commencing 3 months prior to the first date of payment of interest on the Series 1998 B Bonds, for which interest has not been capitalized or as required in the Loan Agreement, remit to the Commission for deposit in the Series 1998 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1998 B Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 B Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date; (iv) commencing 3 months prior to the first date of payment of principal of the Series 1998 A Bonds, remit to the Commission for deposit in the Series 1998 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; and (v) commencing 3 months prior to the first date of payment of principal of the Series 1998 B Bonds, remit to the Commission for deposit in the Series 1998 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 B Bonds

Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the Depository Bank the amount required by the Prior Resolution to be deposited in the Reserve Fund; (ii) commencing 3 months prior to the first date of payment of principal of the Series 1998 A Bonds, if not fully funded upon issuance of the Series 1998 A Bonds, remit to the Commission for deposit in the Series 1998 A Bonds Reserve Account, an amount equal to 1/60th of the Series 1998 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1998 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1998 A Bonds Reserve Requirement; and (iii) commencing 3 months prior to the first date of payment of principal of the Series 1998 B Bonds, if not fully funded upon issuance of the Series 1998 B Bonds, remit to the Commission for deposit in the Series 1998 B Bonds Reserve Account, an amount equal to 1/120th of the Series 1998 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1998 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1998 B Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Fund, the moneys remaining in the Revenue Fund until there has been accumulated therein the aggregate sum of $34,000, and thereafter such sums as shall be required to maintain such amount therein. Additionally, after such amount has been accumulated therein and so long as the Series 1998 Bonds are outstanding, the Issuer shall transfer from the Revenue Fund to the Depreciation Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Depreciation Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Depreciation Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of

the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Depreciation Fund.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds or for any lawful purpose of the System.

Moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 A Bonds and the Series 1998 B Bonds, respectively, as the same shall become due. Moneys in the Series 1998 A Bonds Reserve Account and the Series 1998 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 A Bonds and the Series 1998 B Bonds, respectively, as the same shall become due, when other moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 B Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account, the Series 1998 B Bonds Sinking Fund and the Series 1998 B Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the respective Bond Construction Trust Funds, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1998 A Bonds and the Series 1998 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 1998 A Bonds Reserve Account or the Series 1998 B Bonds Reserve Account which result in a reduction in the balance of the Series 1998 A Bonds Reserve Account or the Series 1998 B Bonds Reserve Account to below the respective Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 1998 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account, the

Series 1998 B Bonds Sinking Fund or the Series 1998 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 1998 A Bonds and the Series 1998 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 1998 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account, the Series 1998 B Bonds Sinking Fund and the Series 1998 B Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account, the Series 1998 B Bonds Sinking Fund and the Series 1998 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account, the Series 1998 B Bonds Sinking Fund and the Series 1998 B Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 A Bonds and the Series 1998 B Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement for the Series 1998 Bonds, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

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 the Revenue Fund a balance in excess of the estimated amounts required to

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

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

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

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1998 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1998 A Bonds, there shall first be deposited with the Commission in the Series 1998 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1998 A Bonds for the period commencing on the date of issuance of the Series 1998 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 1998 B Bonds, there shall first be deposited with the Commission in the Series 1998 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1998 B Bonds for the period commencing on the date of issuance of the Series 1998 B Bonds and ending 6 months after the estimated date of completion of construction of the Project.

C. Next, from the proceeds of the Series 1998 A Bonds, there shall be deposited with the Commission in the Series 1998 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 A Bonds Reserve Account.

D. Next, from the proceeds of the Series 1998 B Bonds, there shall be deposited with the Commission in the Series 1998 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 B Bonds Reserve Account.

E. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 1998 A Bonds Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1998 A Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 1998 B Bonds Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1998 B Bonds.

G. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 1998 A Bonds and the Series 1998 B Bonds shall be applied as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the respective Bond Construction Trust Funds (except for the costs of issuance of the Series 1998 Bonds which shall be made upon request of the Issuer) shall be made only after submission to, and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, moneys in the respective Bond Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1998 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1998 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 Bonds shall not be nor 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 Bond Legislation. No Holder or Holders of the Series 1998 Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 A Bonds and the Series 1998 B Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holder of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 1998 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered January 16, 1998, in Case No. 97-0348-PWD-ECN, and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolution. Additionally, so long as the Series 1998 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or

to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1998 Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 1998 Bonds. Any balance remaining after the payment of the Series 1998 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Depreciation Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds of any such sale shall be deposited in the Depreciation Fund. The payment of such proceeds into the Depreciation Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1998 Bonds. All obligations issued by the Issuer after the issuance of the Series 1998 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, pledge and source of and security for payment from such revenues and in all other respects, to the Series 1998 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1998 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 1998 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1998 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the Council under the conditions and in the manner herein provided (unless less restrictive then the provisions of the Prior Resolution).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1998 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any outstanding Bonds, or both such purposes.

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1998 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1998 Bonds.

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

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

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 1998 Bonds, and shall mail in each year to any Holder or Holders of the Series 1998 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular or any successor thereto and the Single Audit Act or any successor thereto, to the extent legally required, 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 the Series 1998 Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 1998 Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating enses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on

the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1998 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1998 A Bonds Reserve Account, the Series 1998 B Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 1998 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1998 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Loan Agreements, and forward a copy of such report to the Authority and the Council by the 15th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority

and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

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

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and

such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

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

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public

Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1998 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1998 Bonds during the term thereof is, under the terms of the Series 1998 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1998 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1998 Bonds during the term thereof is, under the terms of the Series 1998 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1998 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1998 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1998 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1998 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1998 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1998 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1998 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holder of the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts. A. The Issuer shall, simultaneously with the delivery of the Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer will submit all proposed change orders to the Council for written approval. The Issuer will obtain the written approval of the Council before expending any proceeds of the Bonds held in "contingency" as set forth in the respective Schedules attached to the Loan Agreement. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Bonds made available due to bid or construction or project underruns.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 1998 Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1998 Bonds which would cause the Series 1998 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 Bonds) so that the interest, if any, on the Series 1998 Bonds will be and remain excluded from gross income for federal

income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1998 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1998 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

If the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Bonds. In the event of a failure to pay the correct rebate amount, the Issuer will pay, from any lawful sources available therefor, to the United States such amount, plus a penalty equal to 50% of the rebate amount not paid when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for any exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1998 Bonds subject to rebate. The Issuer shall also furnish the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds

constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 1998 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1998 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1998 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the Prior Bonds or the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holder of the Series 1998 Bonds shall be on a parity with the Holder of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and

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

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no

court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 1998 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1998 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 1998 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 1998 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1998 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1998 Bonds shall be made without the consent in writing of the Registered Owners of the Series 1998 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1998 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1998 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1998 Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolution. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolution, the Prior Resolution shall control, unless less restrictive, so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Flatwoods-Canoe Run Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 1998 Bonds to be issued;

(b) The maximum interest rate and terms of the Series 1998 Bonds authorized hereby;

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

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

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

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

Adopted this 16th day of September, 1998.

Chairman

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 16th day of September, 1998.

Dated: September 24, 1998.

[SEAL]

Secretary

09/21/98
292120/97001

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds,
Series 1998 A and Series 1998 B
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1998 A AND SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Flatwoods-Canoe Run Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective September 16, 1998 (the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $160,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND), AND NOT MORE THAN $890,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA INFRASTRUCTURE FUND);

PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of Water Revenue Bonds, Series 1998 A and Series 1998 B (West Virginia Infrastructure Fund), of the Issuer, in the respective aggregate principal amounts not to exceed $160,000 and $890,000 (collectively, the "Bonds" and individually, the "Series 1998 A Bonds" and the "Series 1998 B Bonds"), and has authorized the execution and delivery of the respective loan agreements relating to the Bonds (collectively, the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal

payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

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

A. The Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $160,000. The Series 1998 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2004, and shall bear interest at the rate of 3% per annum. The interest on and principal of the Series 1998 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending June 1, 2004, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1998 A Bonds. The Series 1998 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1998 A Bonds.

B. The Water Revenue Bonds, Series 1998 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $890,000. The Series 1998 B Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2038, and shall bear interest at the rate of 3% per annum. The interest on and principal of the Series 1998 B Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending September 1, 2038, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1998 B Bonds. The Series 1998 B Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1998 B Bonds.

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

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and

approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon; provided that, the proceeds of the Bonds will be advanced from time to time as requisitioned by the Issuer.

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

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

Section 6. The Issuer does hereby appoint and designate Bank of Gassaway, Gassaway, West Virginia, to serve as Depository Bank under the Resolution.

Section 7. Series 1998 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1998 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1998 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1998 A Bonds Reserve Account.

Section 9. Series 1998 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 1998 B Bonds Sinking Fund as capitalized interest.

Section 10. Series 1998 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 1998 B Bonds Reserve Account.

Section 11. The balance of the proceeds of the Series 1998 A Bonds and the Series 1998 B Bonds shall be deposited in the respective Bond Construction Trust Funds as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about September 24, 1998.

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

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

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

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 16th day of September, 1998.

FLATWOODS-CANOE RUN PUBLIC
SERVICE DISTRICT

Chairman

Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 16th day of September, 1998.

Dated: September 24, 1998.

[SEAL]

Secretary

09/03/98
292120/97001

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996 A and Water Refunding Revenue Bonds, Series 1996 B

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	1
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	4
ARTICLE II AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND REFUNDING		
Section 2.01	Authorization of Acquisition and Construction of the Project	9
Section 2.02	Authorization of Refunding	9
Section 2.03	Approval of Escrow Agreement	9
ARTICLE III AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS		
Section 3.01	Authorization of Bonds	11
Section 3.02	Description of Bonds	11
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	11
Section 3.04	Bond Registrar	12
Section 3.05	Execution of Bonds	12
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	12
Section 3.07	Bonds Secured by Pledge of Net Revenues	13

Section 3.08	Form of Bonds	13
	FORM OF 1996 A BOND	14
	FORM OF 1996 B BOND	20

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01	Establishment of Funds and Accounts with Depository Bank	26
Section 4.02	Bond Proceeds; Project Construction Account	26
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	27
Section 4.04	Interim Construction Financing	30

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01	General Statement	32
Section 5.02	Rates	32
Section 5.03	Sale of the System	32
Section 5.04	Issuance of Additional Parity Bonds or Obligations	32
Section 5.05	Insurance and Bonds	32
Section 5.06	Statutory Mortgage Lien	34
Section 5.07	Events of Default	34
Section 5.08	Enforcement	34
Section 5.09	Fiscal Year; Budget	34
Section 5.10	Compensation of Members of Governing Body	35
Section 5.11	Covenant to Proceed and Complete	35
Section 5.12	Books and Records; Audits	35
Section 5.13	Maintenance of System	35
Section 5.14	No Competition	36

ARTICLE VI
RATES, ETC.

Section 6.01	Initial Schedule of Rates and Charges; Rules	37

ARTICLE VII
MISCELLANEOUS

Section 7.01	Payment of Bonds	38
Section 7.02	Modification or Amendment	38

Section 7.03	Delivery of Bonds	38
Section 7.04	Severability of Invalid Provisions	38
Section 7.05	Conflicting Provisions Repealed	38
Section 7.06	Table of Contents and Headings	38
Section 7.07	Covenant of Due Procedure, Etc.	38
Section 7.08	Effective Time	39
	SIGNATURES	39
	CERTIFICATION	40

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE WATER SYSTEM REVENUE BONDS, SERIES OF 1971, OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; THE ISSUANCE OF $240,000 WATER REVENUE BOND, SERIES 1996 A, AND $70,000 WATER REFUNDING REVENUE BOND, SERIES 1996 B, OF THE DISTRICT, TO FINANCE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE DISTRICT AND ALL APPURTENANT FACILITIES AND TO PAY FOR SUCH REFUNDING AND THE COSTS IN CONNECTION THEREWITH, RESPECTIVELY; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT AND OTHER DOCUMENTS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITIES FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Braxton County of said State, duly created pursuant to the Act by The County Commission of Braxton County.

Section 1.02. Findings and Determinations. It is hereby found, determined and declared as follows:

A. The Issuer currently owns and operates a public waterworks system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of a water line extension to serve the Weyerhaeuser Corporation facility located within the Issuer's boundaries and a water storage tank to provide additional storage capacity and emergency fire protection service for the Issuer's existing system at or near Heaters, Braxton County, and all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, extensions or improvements thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore financed the acquisition and construction of the System and certain additions, improvements and extensions thereto by issuance of its Water System Revenue Bonds, Series of 1971, originally issued in the aggregate principal amount of $152,000, of which $95,000 principal amount is presently outstanding (the "Prior Bonds"), pursuant to a resolution adopted by the Issuer on July 19, 1971 (the "Prior Resolution"). The Issuer is authorized and empowered under the Act to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Prior Bonds. It is hereby determined that it would be to the benefit of the Issuer and its residents to refund the Prior Bonds and to prepay the Prior Bonds as hereinafter set forth.

D. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds (hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

E. The estimated maximum cost of the acquisition and construction of the Project and the refunding of the Prior Bonds is $682,000, of which $310,000 will be obtained from the proceeds of sale of the Bonds herein authorized, $322,000 will be obtained from a grant from the Appalachian Regional Commission and $50,000 will be obtained from a contribution to the Issuer from the Weyerhaeuser Corporation.

F. It is necessary for the Issuer to issue its water revenue bonds in the total principal amount of $310,000, in two series, being the 1996 A Bond (hereinafter defined), in the principal amount of $240,000, and the 1996 B Bond (hereinafter defined), in the principal amount of $70,000 (collectively, the "Bonds"), to finance a portion of the cost of such acquisition and construction of the Project and the refunding of the Prior Bonds in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

H. On the date of issuance of the Bonds, the Issuer shall defease its Prior Bonds by depositing in the Escrow Fund established by the Escrow Agreement an amount sufficient to prepay the Prior Bonds as hereinafter set forth. Accordingly, as of the date of issuance of the Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Bonds as to liens, pledge and/or source of and security for payment.

I. It is in the best interest of the Issuer that the Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated July 24, 1995, and all amendments thereto, if any (collectively, the "Letter of Conditions").

J. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, or will have so complied prior to issuance of the Bonds, including, among other things and without limitation, the consent and approval, pursuant to the Act and other applicable provisions of law, of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

"1996 A Bond" means the Water Revenue Bond, Series 1996 A, authorized hereby to be issued pursuant to this Bond Legislation.

"1996 B Bond" means the Water Refunding Revenue Bond, Series 1996 B, authorized hereby to be issued pursuant to this Bond Legislation.

"Bond Legislation" means this Resolution and all resolutions supplemental hereto and amendatory hereof.

"Bond Registrar" means the Issuer, which shall usually so act by its Secretary.

"Bonds" means, collectively, the 1996 A Bond and the 1996 B Bond.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Dunn Engineers, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means Home National Bank, Sutton, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Escrow Agent" means the Escrow Agent under the Escrow Agreement.

"Escrow Agreement" means the agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Prior Bonds, the deposit therein of proceeds of the 1996 B Bonds, the disposition of moneys in any funds and accounts of the Prior Bonds established under the Prior Resolution and other matters in connection therewith.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

"Grants" means, collectively, the grant from the Appalachian Regional Commission and any other grant received by the Issuer for the Project.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means Flatwoods-Canoe Run Public Service District, a public service district and a public corporation and a political subdivision of the State of West Virginia, in Braxton County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated July 24, 1995, and all amendments thereto, if any.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all

monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Fund have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means the outstanding Water System Revenue Bonds, Series of 1971, of the Issuer described in Section 1.02C hereof.

"Prior Resolution" means the Resolution of the Issuer adopted July 19, 1971, authorizing issuance of the Prior Bonds.

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

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(a) Government Obligations;

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

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC (hereinbefore defined) or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time

accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

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

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

"Surplus Revenues" shall have the meaning set forth in Section 4.03B(v) hereof.

"System" means the existing waterworks of the Issuer as improved, extended, enlarged and expanded by the Project, and includes the complete waterworks system of the

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

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND REFUNDING

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $612,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the 1996 A Bond hereby authorized shall be applied as provided in Article IV hereof.

Section 2.02. Authorization of Refunding. All Prior Bonds Outstanding as of the date of issuance of the 1996 B Bond in the aggregate principal amount of $95,000, are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of such Prior Bonds imposed by the Prior Resolution, the moneys in the funds and accounts created by the Prior Resolution pledged to payment of the Prior Bonds, and any other funds pledged by the Prior Resolution to payment of the Prior Bonds are hereby ordered terminated, discharged and released upon the payment into the Escrow Fund from the proceeds of the 1996 B Bond and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Prior Bonds; (b) an amount which is sufficient to pay the entire principal amount outstanding and interest accrued on the Prior Bonds on the first permitted prepayment date, all as set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the 1996 B Bond and other moneys into the Escrow Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Prior Bonds shall be released from the lien created by the Prior Resolution and deposited in the Escrow Fund, the Reserve Fund or such other fund or account as shall be set forth in the Escrow Agreement and invested as provided therein.

Section 2.03. Approval of Escrow Agreement. The Escrow Agreement by and between the Issuer and the West Virginia Municipal Bond Commission, as Escrow Agent, to be dated as of the date of delivery of the 1996 B Bond, substantially in the form submitted to this meeting shall be and the same is hereby approved. The Chairman shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Chairman and the Secretary is hereby authorized and directed to affix the seal of the Issuer thereto and to attest the seal. Execution of the Escrow Agreement by the Chairman shall be conclusive evidence of any approval required by this

Section. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Escrow Agent under the Escrow Agreement.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Bonds of the Issuer, to be known as "Water Revenue Bond, Series 1996 A" and "Water Refunding Revenue Bond, Series 1996 B," are hereby authorized to be issued in the respective principal amounts of $240,000 and $70,000 for a total aggregate principal amount of not exceeding $310,000 for the purposes of financing a portion of the cost of the acquisition and construction of the Project and refunding the Prior Bonds, respectively.

Section 3.02. Description of Bonds. A. The 1996 A Bond shall be issued in single form, numbered AR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 A Bond shall bear interest from the date of delivery, payable monthly at the rate of 4.875% per annum, and shall be sold for the par value thereof.

B. The 1996 B Bond shall be issued in single form, numbered BR-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The 1996 B Bond shall bear interest from the date of delivery, payable monthly at the rate of 4.875% per annum, and shall be sold for the par value thereof.

The Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Bonds, and the right to principal of and stated interest on the Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid

with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bonds as hereinbefore provided.

The Bond Registrar shall accept the Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, 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 and/or such other identifying number and information as may be required by law. The Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as

the Issuer may require. The Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured forthwith equally and on a parity with each other by a first lien on the Net Revenues derived from the System, in addition to the statutory mortgage lien on the System hereinafter provided for as to the Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.08. Form of Bonds. Subject to the provisions hereof, the text of the Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF 1996 A BOND)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REVENUE BOND, SERIES 1996 A

$240,000

No. AR-1 Date: _____

FOR VALUE RECEIVED, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of TWO HUNDRED FORTY THOUSAND DOLLARS ($240,000), plus interest on the unpaid principal balance at the rate of 4.875% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $1,160, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of

authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE 1996 B BOND ISSUED CONCURRENTLY HEREWITH, AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 677
P. O. Box No. or Street Address)

Sutton, West Virginia 26601
(City, State and Zip Code)

ATTEST:

_____
(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF 1996 B BOND)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

WATER REFUNDING REVENUE BOND, SERIES 1996 B

$70,000

No. BR-1 Date: _____

FOR VALUE RECEIVED, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SEVENTY THOUSAND DOLLARS ($70,000), plus interest on the unpaid principal balance at the rate of 4.875% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $339, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of

authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

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, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower authorizing issuance of this Bond (the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE 1996 A BOND ISSUED CONCURRENTLY HEREWITH, AS DEFINED AND DESCRIBED IN SAID RESOLUTION.

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 677
P. O. Box No. or Street Address)

Sutton, West Virginia 26601
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with, and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund;

(2) Reserve Fund;

(3) Depreciation Fund; and

(4) Project Construction Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the 1996 A Bond shall be deposited upon receipt by the Issuer in the Project Construction Account. The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bonds if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance

remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the 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 the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Resolution.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(i) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(ii) The Issuer shall next, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bonds (or such other place as may be provided pursuant to the Bonds), the amounts required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the respective life of each Bond issue. All payments with respect to principal of and interest on the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Bonds in any year, until the amount in the Reserve Fund equals such maximum

amount (the "Minimum Reserve"). After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other; provided, however, that when the Minimum Reserve has been accumulated in the Reserve Fund all earnings of investments of moneys therein shall at least annually be transferred to and deposited in the Revenue Fund.

(iv) The Issuer shall next, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Fund, the moneys remaining in the Revenue Fund until there has been accumulated in the Depreciation Fund the aggregate sum of $34,000, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Fund shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Fund may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

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

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Fund, as herein provided, and all amounts required for the Reserve Fund and the Depreciation Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section other than the Project Construction Account shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Fund invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Government Obligations. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

C. CHANGE OF FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and

Fiscal Agent if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bonds, provide evidence that there will be at least 958 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

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

G. REMITTANCES. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

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

Section 4.04. Interim Construction Financing. In order to pay certain costs of the Project pending receipt of proceeds of the Grants and advances of principal of the Bonds, the Issuer may issue and sell its interim construction notes in an aggregate principal amount not to exceed $240,000 (the "Notes"). The Notes shall be in the form of a line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into the credit agreement with such commercial bank or other lender. 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 credit agreement.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Grants. 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 of the Issuer, if any, is pledged for the payment of the Notes.

The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth herein.

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Bonds.

Section 5.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bonds and sufficient to make the payments required herein into the Reserve Fund and the Depreciation Fund and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 5.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bonds remain outstanding, 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, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and

subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of $50,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bonds.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Bonds at the date specified for payment thereof; and

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bonds or herein, or violation of or failure to observe any provision of any pertinent law.

Section 5.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.09. Fiscal Year; Budget. While the Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and

maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 5.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Order of the Public Service Commission of West Virginia, entered on August 21, 1990, Case No. 90-010-PWD-19A, which Final Order is incorporated herein by reference as a part hereof.

B. There shall not be any discrimination or differential in rates between customers in similar circumstances.

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

E. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

F. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Bondholder.

Section 7.03. Delivery of Bonds. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 7.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. 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 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as

required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: June 12, 1996.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

James Rogers
Chairman

Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 12th day of June, 1996.

Dated: June 12, 1996.

[SEAL]

Secretary, Public Service Board

06/10/96
FLATWAG.A4
292120/95001

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 03/15/2007

PRODUCER (304)375-4900 FAX (304)375-5843
Bill Bailey Insurance Agency
701 Highland Avenue
P. O. Box 246
Williamstown, WV 26187

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED Flatwoods Canoe Run PSD
DBA: Steve Sanders
P.O. Box 677
Sutton, WV 26601

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: American Alternative Insurance	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY	SK9103105-02	02/03/2007	02/03/2008	EACH OCCURRENCE	$ 1,000,000
		COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurence)	$ 1,000,000
		CLAIMS MADE / OCCUR				MED EXP (Any one person)	$ 100,000
						PERSONAL & ADV INJURY	$ 1,000,000
						GENERAL AGGREGATE	$ 3,000,000
		GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC				PRODUCTS - COMP/OP AGG	$ 3,000,000
A		AUTOMOBILE LIABILITY	SA8050786-01	02/03/2007	02/03/2008	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
		X ANY AUTO				BODILY INJURY (Per person)	$
		ALL OWNED AUTOS				BODILY INJURY (Per accident)	$
		SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident)	$
		HIRED AUTOS					
		NON-OWNED AUTOS					
		GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
		ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	$
						AGG	$
A		EXCESS/UMBRELLA LIABILITY	SX9200871-02	02/03/2007	02/03/2008	EACH OCCURRENCE	$ 2,000,000
		OCCUR / CLAIMS MADE				AGGREGATE	$
							$
		DEDUCTIBLE					$
		RETENTION $					$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU-TORY LIMITS / OTH-ER	
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT	$
		If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE	$
						E.L. DISEASE - POLICY LIMIT	$
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER

West Virginia Water Development Authority
Bernie Yankowski
1800 Association Drive
Charleston, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

©ACORD CORPORATION 1988

CLOSING MEMORANDUM

To: **Financing Team**

From: **John C. Stump, Esquire**

Date: **April 24, 2007**

Re: **Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)**

DISBURSEMENTS OF SERIES 2007 A BONDS PROCEEDS

1.

Payor:	West Virginia Infrastructure Fund
Source:	Series 2007 A Bonds Proceeds
Amount:	$28,750
Form:	Wire Transfer
Payee:	Flatwoods-Canoe Run Public Service District
Bank:	Bank of Gassaway
Routing #:	051502748
Account #:	137871
Contact:	Missy Patrick (304.364.5138)
Account:	Series 2007 A Bonds Construction Trust Fund

State of West Virginia

WATER DEVELOPMENT AUTHORITY

180 Association Drive, Charleston, WV 25311-1217
(304) 558-3612 - (304) 558-0299 (Fax)
Internet: www.wvwda.org - Email: contact@wvwda.org

BOND CLOSING ATTENDANCE LIST

Date 04/24/07 Time 10 a.m. LGA Flatwoods-Canoe Run PSD Program IF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
John C. Stump	Steptoe + Johnson PLLC	353.8196	353.8181	john.stump@steptoe-johnson.com
BERNIE YONKOSKY	WV WDA	558-3612	558-0299	dyonkosky@wvwda.org
Sammie Gee	Jackson Kelly PLLC	340.1354	340.1172	sgee@jacksonkelly.com
Barbara B Meadows	Water Development Authority	558.3612	558.0299	bmeadows@wvwda.org

The Authority requests that the following information concerning the individual who will be responsible for sending Debt Service Payments to the Municipal Bond Commission be provided. (If that individual is in attendance, he/she should also sign above.) Please Print:

Name Steve Sanders, Gen. Manager Telephone 304.765.2300 E-Mail N/A
Address P.O. Box 677, Sutton WV 26601

REMINDER: As a participant in this program, the Local Governmental Agency (LGA) agrees and is required to submit annually to the WDA a copy of its audited financial statements and a copy of its adopted budget. Also, pursuant to the Loan Agreement and the NonArbitrage Certificate (both of which are contained in the bond transcript) you are to provide annually to the WDA a rebate calculation certificate or an exception opinion showing whether a rebate amount is due to the US Government under arbitrage requirements in Section 148(f) of the US Internal Revenue Code, 1986, as amended.