

\$2,175,000

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)**

**Water Revenue Bonds, Series 2009 A (Bank Qualified)**

**Date of Closing: August 21, 2009**

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**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)**

**WATER REVENUE BONDS, SERIES 2009 A  
(BANK QUALIFIED)**

**BOND RESOLUTION**

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**FLATWOODS-CANOE RUN**  
**PUBLIC SERVICE DISTRICT (WEST VIRGINIA)**

A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED), OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$2,300,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED TO FINANCE THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S EXISTING WATERWORKS TREATMENT AND DISTRIBUTION SYSTEM AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, 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;

WHEREAS, the Issuer presently owns and operates a public waterworks treatment and distribution system (the "System") in Braxton County;

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue revenue bonds for the purpose of financing the acquisition and construction of additions and improvements to the System;

WHEREAS, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 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 (the "Series 2005 A Bonds"); and (vi) Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000 (the "Series 2007 A Bonds"). The Series 1996 A Bonds, the Series 1996 B Bonds, the Series 1998 B Bonds, the Series 2001 Bonds, the Series 2005 B Bonds and the Series 2007 A Bonds are collectively referred to as the "Prior Bonds."

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of Braxton County that its Series 2009 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

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

## ARTICLE I

### **DEFINITIONS; STATUTORY AUTHORITY; FINDINGS**

Section 1.01. Definitions. All capitalized terms used in this Resolution and not otherwise defined in the recitals or in the text hereof shall have the meanings specified below, 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 delivery of the Series 2009 A Bonds.

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

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

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

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

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

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

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

“Bonds” means, collectively, the Series 2009 A Bonds, the Prior Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

“Certificate of Authentication and Registration” means the Certificate of Authentication and Registration on the Series 2009 A Bonds in substantially the form set forth in EXHIBIT A - SERIES 2009 A BOND FORM, attached hereto.

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

“Closing Date” means the date upon which there is an exchange of the Series 2009 A Bonds for the proceeds representing the original purchase prices thereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

“Construction Fund” means the Construction Fund created by Section 4.01 hereof.

“Consulting Engineers” means any qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

“Costs” or similar terms mean those costs described in Section 1.03 hereof to be a part of the costs of acquisition and construction of the Project.

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

“Depository Bank” means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

“DTC” means the Depository Trust Company, New York, New York, or its successor thereof.

“DTC-eligible” means, with respect to the Series 2009 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

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

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

“Fiscal Year” means each 12-month period beginning on July 1 and ending on the 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), any Tap Fees, as hereinafter defined.

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

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

“Net Proceeds” means the face amount of the Series 2009 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2009 A Bonds 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 Series 2009 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

“Nonpurpose Investment” means any investment property which is acquired with the gross proceeds of the Series 2009 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2009 A Bonds.

“Operating Expenses” means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the

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

"Original Purchaser" means Crews & Associates, Inc., Charleston, West Virginia, as the purchaser of the Series 2009 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2009 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2009 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 2009 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 2009 A Bonds.

"Outstanding," when used with reference to the Series 2009 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

"Paying Agent," initially, the West Virginia Municipal Bond Commission and any other paying agent or other entity designated as such for the Series 2009 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, 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 2007 A Bonds, as herein defined.

"Prior Resolutions" means the bond resolutions as supplemented, of the Issuer authorizing 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.

"Purchase Price," for the purpose of computation of the Yield of the Series 2009 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2009 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2009 A Bonds of each maturity is sold or, if the Series 2009 A Bonds are privately placed, the price paid by the first buyer of the Series 2009 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2009 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2009 A Bonds.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

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

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

"Record Date" means the day of the month which shall be so stated in the Series 2009 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of any Bonds of the Issuer called for redemption.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2009 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Prior Resolutions and continued hereby.

"Reserve Accounts" means the respective Reserve Accounts established for the Series 2009 A Bonds and the Prior Bonds.

“Resolution” means this Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

“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 (Bluefield Area Extension Project), 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 2007 A Bonds” means the Issuer’s Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000.

“Series 2009 A Bonds” means the Water Revenue Bonds, Series 2009 A (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to this Resolution.

“Series 2009 A Bonds Construction Fund” means the Series 2009 A Bonds Construction Fund created by Section 4.02 hereof.

“Series 2009 A Bonds Redemption Account” means the Series 2009 A Bonds Redemption Account created by Section 4.02 hereof.

“Series 2009 A Bonds Reserve Account” means the Series 2009 A Bonds Reserve Account created by Section 4.02 hereof.

“Series 2009 A Bonds Reserve Requirement” means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 2009 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2009 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2009 A Bonds.

“Series 2009 A Bonds Sinking Fund” means the Series 2009 A Bonds Sinking Fund created by Section 4.02 hereof.

“Sinking Funds” means, collectively, the respective Sinking Funds established for the Series 2009 A Bonds and the Prior Bonds.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution amendatory hereof or supplemental hereto and, when preceded by the article “the,” refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of this Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 2009 A Bonds and authorizing the sale of the Series 2009 A Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

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

“System” means the 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 include any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa; and any requirement for execution or attestation of the Bond or any certificate or other document by the Chairman or the Secretary shall mean that such Bond, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

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

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

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

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

Section 1.03. Findings. The Governing Body hereby finds and determines as follows:

A. The Issuer is a public corporation and public service district of the State of West Virginia in Braxton County of said State.

B. The Issuer presently owns and operates a public waterworks treatment and distribution 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 and improvements to the System, consisting improvements and modifications to upgrade the waterworks treatment and distribution system, increase capacity from 0.75 million gallons per day (MGD) to 1.5 MGD, upgrading the flocculation and sedimentation processes, providing a new filtration system, providing new chemical feed systems, constructing additional clearwell storage, constructing a new operations building and construction of new solids collection and pumping 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. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2009 A (Bank Qualified), in the total aggregate principal amount of not more than \$2,300,000 to permanently finance a portion of the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2009 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2009 A Bonds Reserve Account; underwriter's discount, 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; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2009 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2009 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

E. It is in the best interests of the Issuer that the Series 2009 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. The Series 2009 A Bonds shall be issued on a parity with one another and the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Prior Bonds and the resolutions authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the Series 2009 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 have been met; and (ii) where necessary, the written consent of the Holders of the Prior Bonds to the issuance of the Series 2009 A 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. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

G. The Series 2009 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the form set forth in EXHIBIT A - Series 2009 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

H. All things necessary to make the Series 2009 A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2009 A Bonds, will be timely done and duly performed.

I. The adoption of this Resolution, and the execution and issuance of the Series 2009 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 2009 A Bonds by those who shall own or hold 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 such Bondholders of any and all of such Series 2009 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

## ARTICLE II

### ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01. Authorization of Acquisition and Construction of Project. There is hereby authorized and ordered the acquisition and construction of the Project at an estimated cost of not more than \$2,300,000. The proceeds of the Series 2009 A Bonds hereby authorized shall be applied as provided herein.

## ARTICLE III

### THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the Series 2009 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution. The Series 2009 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2009 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2009 A Bonds shall be in default, Bonds issued in exchange for Series 2009 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2009 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2009 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2009 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of \$500,000 or more of the Series 2009 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2009 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Bond in the principal amount of said Series 2009 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2009 A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or

facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2009 A Bonds shall cease to be such officer of the Issuer before the Series 2009 A Bonds so signed and sealed have been actually sold and delivered, such Series 2009 A Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2009 A Bonds had not ceased to hold such office. Any Series 2009 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 Series 2009 A Bonds shall hold the proper office in the Issuer, although at the date of such Series 2009 A Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2009 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Series 2009 A Bond, substantially in the form set forth in EXHIBIT A - Series 2009 A BOND FORM attached hereto and incorporated herein by reference, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2009 A Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Series 2009 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2009 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2009 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Series 2009 A Bonds, shall be conclusively deemed to have agreed that such Series 2009 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Series 2009 A Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2009 A Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2009 A Bonds. Series 2009 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2009 A Bond, there shall be issued at the option of the Holder or the transferee another Series 2009 A Bond of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Series 2009 A Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2009 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Series 2009 A Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2009 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Series 2009 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2009 A Bonds, the initial exchange of Series 2009 A Bonds and exchanges of Series 2009 A Bonds in the event of partial redemption of fully registered Series 2009 A Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2009 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2009 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2009 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Series 2009 A Bond of like series, maturity and principal amount as the Series 2009 A Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Series 2009 A Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Series 2009 A Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2009 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Series 2009 A Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Series 2009 A Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Series 2009 A Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Series 2009 A Bonds be at any time found by any one, and such duplicate Series 2009 A Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

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

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2009 A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to 1/12th of the amount required to redeem the principal amount of such Term Bonds which

are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to the Series 2009 A Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2009 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2009 A Bonds Sinking Fund, as will exhaust as nearly as practicable such Series 2009 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of \$5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2009 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, if any the Original Purchaser and the registered owner of the Series 2009 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2009 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 2009 A Bonds shall also be sent to registered securities depositories.

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

- (1) The Redemption Date;
- (2) The Redemption Price;
- (3) If less than all outstanding Series 2009 A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2009 A Bonds, as appropriate, to be redeemed;
- (4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Series 2009 A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date;
- (5) The place where such Series 2009 A Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar; and
- (6) Such other information, if any, as shall be required for DTC-eligible Series 2009 A Bonds.

If funds sufficient to redeem all Series 2009 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2009 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2009 A Bonds or portions of Series 2009 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2009 A Bonds or portions of Series 2009 A Bonds shall cease to bear interest. Upon surrender of such Series 2009 A Bonds for redemption in accordance with said notice, such Series 2009 A Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided

for payment of interest. Upon surrender for any partial redemption of any Series 2009 A Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Series 2009 A Bond. All Series 2009 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2009 A Bonds, and failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Series 2009 A Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Series 2009 A Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Resolution. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Bonds. For the purposes of paying costs of acquisition and construction of the Project, funding the Series 2009 A Bonds Reserve Account, paying capitalized interest on the Series 2009 A Bonds and paying costs in connection therewith, there shall be issued the Series 2009 A Bonds of the Issuer, in an aggregate principal amount of not more than \$2,300,000. The Series 2009 A shall be designated "Water Revenue Bonds, Series 2009 A (Bank Qualified)" and shall be issued in fully registered form, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity, not exceeding the aggregate principal amount of Series 2009 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2009 A Bonds shall be numbered from R-1 consecutively upward. The Series 2009 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Series 2009 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2009 A Bonds, respectively, of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2009 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2009 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2009 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2009 A Bond, or any other evidence of ownership of the Series 2009 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2009 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2009 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2009 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2009 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2009 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2009 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2009 A Bonds so redeemed, but DTC may return such Series 2009 A Bonds and make an appropriate notation on the Series 2009 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2009 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2009 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2009 A Bonds, selecting the Series 2009 A Bonds, or portions thereof, to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Series 2009 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2009 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2009 A Bonds, (ii) the accuracy of

any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2009 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Resolution, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2009 A Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2009 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2009 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2009 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 2009 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2009 A Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 2009 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2009 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

- (1) A list of the names in which the Series 2009 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;
  - (2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2009 A Bonds to the Original Purchaser;
  - (3) Copies of this Resolution and the Supplemental Resolution certified by the Secretary;
  - (4) The unqualified approving opinion upon the Series 2009 A Bonds by Bond Counsel;
- and
- (5) A copy of such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 2009 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2009 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2009 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2009 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds.

Upon the issuance and delivery of the Series 2009 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2009 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2009 A Bonds Sinking Fund and applied to payment of interest on the Series 2009 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2009 A Bonds equal to the Series 2009 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2009 A Bonds Reserve Account, provided that, to the extent the Series 2009 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2009 A Bonds shall be used to purchase said reserve account letter of credit, surety bond or other credit facility and proceeds of the Series 2009 A Bonds shall be deposited in the Series 2009 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2009 A Bonds Reserve Requirement.

3. An amount of the proceeds of the Series 2009 A Bonds which shall be sufficient to pay the costs of issuance of the Series 2009 A Bonds shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2009 A Bonds. All such costs of issuance shall be paid within 60 days of the Closing Date. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2009 A Bonds Construction Fund.

4. The balance of proceeds of the Series 2009 A Bonds, not used for any of the purposes set forth above, shall be deposited in the Series 2009 A Bonds Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay the costs of acquisition and construction of the Project and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2009 A Bonds Construction Fund.  
Disbursements from the Series 2009 A Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2009 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2009 A Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Section 3.16. Designation of Series 2009 A Bonds as "Qualified Tax-Exempt Obligations." The Issuer hereby designates the Series 2009 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2009 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 2009 Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2009, all as determined in accordance with the Code.

#### ARTICLE IV

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

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated 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 Resolutions);
- (2) Renewal and Replacement Fund (established by the Prior Resolutions);
- (3) Series 2009 A Bonds Construction Fund;
- (4) Series 2009 A Bonds Costs of Issuance Fund;
- (5) Rebate Fund; and
- (6) Cost of Issuance Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special funds or accounts are hereby created (or continued if created by Prior Resolution) with and shall be held by, the Bond Commission, separate and apart from all other funds or accounts of the Bond Commission and the Issuer and from each other:

- (1) Series 1996 A Bonds Reserve Account (established by the Prior Resolutions)
- (2) Series 1996 B Bonds Reserve Account (established by the Prior Resolutions)

- (3) Series 1998 B Bonds Sinking Fund (established by the Prior Resolutions)
- (4) Series 1998 B Bonds Reserve Account (established by the Prior Resolutions)
- (5) Series 2001 Bonds Sinking Fund (established by the Prior Resolutions)
- (6) Series 2001 Bond Reserve Account (established by the Prior Resolutions)
- (7) Series 2005 A Bonds Sinking Fund (established by the Prior Resolutions)
- (8) Series 2005 B Bonds Reserve Account (established by the Prior Resolutions)
- (9) Series 2005 B Bonds Sinking Fund (established by the Prior Resolutions)
- (10) Series 2007 A Bonds Sinking Fund (established by the Prior Resolutions);
- (11) Series 2007 A Bonds Reserve Account (established by the Prior Resolutions)
- (12) Series 2009 A Bonds Sinking Fund;
- (13) Within the Series 2009 A Bonds Sinking Fund, the Series 2009 A Bonds Redemption Account; and
- (14) Series 2009 A Bonds Reserve Account.

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

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall 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 pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required to pay interest on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by the Prior Resolution to pay interest on the Series 1998 B Bonds and Series 2001 Bonds; and (iii) to the Commission commencing 6 months prior to the first interest payment date on the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2009 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series

2009 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2009 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required by Prior Resolution to pay principal on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by Prior Resolution to pay principal on the Series 1998 B Bonds, Series 2001 Bonds, Series 2005 A Bonds and Series 2007 A Bonds; and (iii) to the Commission commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, and in the Series 2009 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2009 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the respective Reserve Accounts, the amounts required under the Prior Resolutions to fund the respective reserve requirements for the Prior Bonds; and (ii) for deposit in the Series 2009 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2009 A Bonds Reserve Account below the Series 2009 A Bonds Reserve Requirement or any withdrawal from the Series 2009 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2009 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2009 A Bonds Reserve Account is less than the Series 2009 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2009 A Bonds Reserve Account for deposit into the Series 2009 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2009 A Bonds Reserve Account to an amount equal to the Series 2009 A Bonds Reserve Requirement to the full extent that such Net

Revenues are available; provided, that no payments shall be required to be made into the Series 2009 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2009 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article V 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.

Monies in the Series 2009 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2009 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2009 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2009 A Bonds when due, when amounts in the Series 2009 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the Series 2009 A Bonds Sinking Fund or the Series 2009 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2009 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2009 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2009 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 or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirements therefor.

The payments into the Series 2009 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the Series 2009 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2009 A Bonds Reserve Requirement, from the first Net Revenues available after all required payments have been made in full in the order set forth above.

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

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in 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.

C. The Issuer shall remit from the Revenue Fund to the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond 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 any charges and fees then due.

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

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

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

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

## ARTICLE V

### **INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS**

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

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such 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 Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

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

(A) Qualified Investments acquired for the Series 2009 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to annually transfer from the Series 2009 A Bonds Reserve Account, pro rata, to the Series 2009 A Bonds Sinking Fund, any earnings on the monies deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 2009 A Bonds Reserve Account an amount at least equal to the Series 2009 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2009 A Bonds Reserve Account, whereupon such account shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2009 A Bonds Reserve Account shall, at any time, be less than the Series 2009 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2009 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2009 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2009 A Bonds in such manner and to such extent as may be necessary, so that the Series 2009 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2009 A Bonds) so that the interest on the Series 2009 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. 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 2009 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2009 A 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.

B. 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 such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the

employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2009 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time.

## ARTICLE VI

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

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2009 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Series 2009 A 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 the Series 2009 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2009 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution but shall be payable solely from the Net Revenues of the System, the monies in the Series 2009 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2009 A Bonds or monies in the Series 2009 A Bonds Construction Fund, all as herein provided. No Holder or Holders of the Series 2009 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2009 A Bonds, or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Series 2009 A Bonds issued hereunder 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 the Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Prior Bonds and Series 2009 A Bonds herein authorized, and to make the payments into the Series 2009 A Bonds Sinking Fund, the Series 2009 A Bonds Reserve Account, and all other payments provided for in this Resolution and Prior Resolutions, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 2009 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any fiscal year for payment of principal of and interest on the Series 2009 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2009 A Bonds, including the Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the current rate order.

The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer either is or is not in compliance with rate covenant contained in this Section 6.04. In the event that any audit contains a statement that the Issuer is not in compliance with the rate covenant contained in this Section 6.04, the Issuer hereby covenants that it shall, within sixty (60) days of receiving the audit report, file a request with the Public Service Commission of West Virginia for a rate increase sufficient to comply with the above-mentioned rate requirement.

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

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 6.06. 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 Resolutions. Additionally, so long as the Series 2009 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2009 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 2009 A Bonds Sinking Fund and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 2009 A Bonds. Any balance remaining after the payment of the Series 2009 A Bonds and interest thereon shall be remitted to the Issuer by the Bond 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 \$500,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$500,000 but not in excess of \$1,000,000, 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 \$500,000 and not in excess of \$1,000,000, shall with the written consent of the Authority, be remitted by the Issuer to the Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise into the Renewal and Replacement Fund. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$1,000,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2009 A Bonds, except as provided in Section 6.08 herein. All obligations issued by the Issuer after the issuance of the Series 2009 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, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2009 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2009 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 2009 A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions 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 2009 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2009 A 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 series of Bonds, or both such purposes.

So long as the Series 2009 A 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 an Independent Certified Public Accountant 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 additional 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 Accountant, 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 Resolution (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 Resolution required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Resolution.

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 2009 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 2009 A Bonds.

No 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 Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Resolution.

Section 6.09 Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2009 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to

the 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 and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000. per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$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.

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

D. 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.

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

F. 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.

Section 6.10. 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 thereof shall avail himself 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 6.11 Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, 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 and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System to all delinquent users of services and facilities of the System and will not restore such services of the System until all billing for charges for the services and facilities of the System, plus reasonable interest and penalty charges for the restoration of service, has been fully paid.

Section 6.12. 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 or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. 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 Series 2009 A Bond 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, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the 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 it shall direct.

The Issuer shall file with the Original Purchaser and any Bond Insurer, if any, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, an annual report containing the following:

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

(B) A statement of account balances in all funds and accounts provided for herein and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Certified Public Accountant in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Resolution and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues 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 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 such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer, if any, and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Connections. To the extent permitted by the laws of the State and the 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2009 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 2009 A Bonds, pro rata, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2009 A 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 2009 A Bonds during the term thereof is, under the terms of the Series 2009 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or

to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2009 A 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 2009 A Bonds during the term thereof is, under the terms of the Series 2009 A 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 2009 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2009 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2009 A 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 2009 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2009 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2009 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18 Financial Guaranty Insurance Policy. The Issuer may apply for a Financial Guaranty Insurance Policy for the Series 2009 A Bonds. In the event a Financial Guaranty Insurance Policy is obtained, additional covenants and provisions of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 2009 A Bonds. These additional covenants and provisions shall be set forth in a Supplemental Resolution, shall apply to the Series 2009 A Bonds, and shall be controlling in the event any other provisions of this Resolution may be in conflict therewith.

## ARTICLE VII

### DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2009 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 2009 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Series 2009 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer;

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

(D) If default occurs with respect to the Prior Bonds or the Prior Resolutions.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure to pay principal of or interest on the Bonds shall be an immediate event of default.

No waivers shall be granted by any party to the Bond documents without the prior written consent of the Bond Insurer, if any.

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

- (A) Bring suit for any unpaid principal or interest then due;
- (B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Resolution;
- (C) Bring suit upon the Series 2009 A Bonds;
- (D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and
- (E) By action or bill in equity enjoin any acts in violation of this Resolution or the rights of the Bondholders.

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2009 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the Prior Bonds.

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

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Series 2009 A Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2009 A

Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default 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, mortgage or otherwise dispose of any assets of the System.

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

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

## ARTICLE VIII

### REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2009 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Series 2009 A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2009 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2009 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

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

certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

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

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2009 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2009 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2009 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Series 2009 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2009 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2009 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Series 2009 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar

appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

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

Section 8.11. Adoption of Authentication. In case any of the Series 2009 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Series 2009 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

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

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

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

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

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

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

## ARTICLE IX

### **DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION**

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Series 2009 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2009 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2009 A Bonds from gross income for federal income tax purposes.

The Series 2009 A Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 2009 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2009 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2009 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2009 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2009 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the

principal of and redemption premium, if any, and interest to become due on the Series 2009 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the Series 2009 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Resolution, shall be controlling. Following issuance of the Series 2009 A Bonds, this Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. In the event any of the Series 2009 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 2009 A Bonds or the rights of any Bond Insurer for such Series 2009 A Bonds may be effected without the written consent of such Bond Insurer. No materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2009 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2009 A Bonds without the express written consent of the Holder of each Series 2009 A Bond so affected, nor reduce the percentage of Series 2009 A Bonds required for consent to any such modification or amendment.

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

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which

need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

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

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

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

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

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

Section 10.05. Failure to Present Bonds. Anything in this Resolution to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer. If any of said Bonds is a coupon Bond, the Registrar or said Paying Agent shall also publish such notice, not less than 30 days prior to the date such monies will be returned to the Issuer, in an Authorized Newspaper.

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

ISSUER

Flatwoods-Canoe Run Public Service District  
P.O. Box 677  
Sutton, West Virginia 26601-0677  
Attention: Chairman

REGISTRAR AND PAYING AGENT

[Name(s) and address(es) to be set forth in Supplemental Resolution]

DEPOSITORY BANK

[Name and address to be set forth in Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.  
First Security Center  
521 President Clinton Ave., Suite 800  
Little Rock, Arkansas 72201  
Attention: Senior Vice President

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

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

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

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2009 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be

for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2009 A Bonds and the Original Purchaser.

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

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

Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Prior Bonds, the resolutions authorizing the Prior Bonds shall control, unless less restrictive, so long as the Prior Bonds are Outstanding.

Section 10.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 10.14. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 10th day of August, 2009.

  
Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Flatwoods-Canoe Run Public Service District on the 10th day of August, 2009.

Dated this 21st day of August, 2009.

[SEAL]

  
Secretary

09.02.08  
292120.00004

CH4966530.2

EXHIBIT A - SERIES 2009 A BONDS FORM

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R- \_\_\_\_\_

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

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
WATER REVENUE BOND, SERIES 2009 A BONDS (BANK QUALIFIED)

INTEREST RATE

MATURITY DATE

BOND DATE

CUSIP NO.

REGISTERED OWNER: \_\_\_\_\_

PRINCIPAL AMOUNT: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and 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 Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on \_\_\_\_\_ 1 and \_\_\_\_\_ 1, in each year, beginning \_\_\_\_\_ 1, 2009 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by \_\_\_\_\_, \_\_\_\_\_, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each \_\_\_\_\_ 15 and \_\_\_\_\_ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by \_\_\_\_\_, \_\_\_\_\_, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in \_\_\_\_\_, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$ \_\_\_\_\_ designated "Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated \_\_\_\_\_, 2009, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) to fund a Reserve Account for the Series 2009 A Bonds (as hereinafter defined); and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on \_\_\_\_\_ 2009, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on \_\_\_\_\_ 2009 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (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 (THE "SERIES 2005 A BONDS"); AND (VI) WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED APRIL 24, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,014,000 (THE "SERIES 2007 A BONDS").

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 2007 A Bonds are collectively referred to as the "Prior Bonds."

This Bond is additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of financial guaranty bond insurance issued by \_\_\_\_\_.

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to \_\_\_\_\_. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after \_\_\_\_\_, \_\_\_\_\_, as a whole at any time and in part on any Interest Payment Date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

<u>Period During Which Redeemed</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
---	-----------------------------------

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on \_\_\_\_\_, are subject to mandatory sinking fund redemption prior to maturing on \_\_\_\_\_ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

\_\_\_\_\_  
Bonds Maturing  
Year ( )                      Principal Amount

\* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of

the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

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, 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 Resolution for the Bonds (the "Series 2009 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2009 A Bonds 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 120% of the maximum amount payable in any fiscal 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 or subordinate to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, fund a reserve account for the Series 2009 A Bonds and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

(Manual or Facsimile Signature)  
Chairman

ATTEST:

(Manual or Facsimile Signature)  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_  
as Registrar

By \_\_\_\_\_  
Its Authorized Officer

(Form of)  
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_  
SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

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

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED) OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A COMMITMENT FOR MUNICIPAL BOND INSURANCE, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT, AND OTHER INSTRUMENTS RELATING TO THE BONDS APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, Flatwoods-Canoe Run Public Service District (the "Issuer"), in the County of Braxton, State of West Virginia, is a public service district and public corporation of said State, the governing body of which is this public service board (the "Governing Body");

WHEREAS, the Governing Body duly adopted on August 10, 2009, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED), OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$2,300,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED TO FINANCE THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S EXISTING WATERWORKS TREATMENT AND DISTRIBUTION SYSTEM AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING A

BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the issuance by the Issuer of its Water Revenue Bonds, Series 2009 A (Bank Qualified) in the aggregate principal amount of not more than \$2,300,000 (the "Series 2009 A Bonds"), for the purposes of paying a portion of the costs of acquisition and construction of additions, betterments and improvements to the System capitalizing interest on the Series 2009 A Bonds, funding a reserve account for the Series 2009 A Bonds and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2009 A Bonds should be established by a supplemental resolution, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2009 A Bonds be provided for by a supplemental resolution of the Governing Body, that additional covenants and provisions relating to the Bonds be provided therein, and that other matters pertaining to the Series 2009 A Bonds be provided for by a supplemental resolution of this Board;

WHEREAS, the Series 2009 A Bonds are proposed to be purchased by Crews & Associates, Inc., (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof and in general form attached hereto and incorporated herein by reference (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Chairman the authority to approve, within the parameters set forth herein and in the Resolution, the final terms and provisions of all documents relating to the Series 2009 A Bonds (the "Bond Documents"), without the requirement of further official action by this Board; and

WHEREAS, the Governing Body deems it essential and desirable that this Supplemental Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Registrar Agreement hereinafter provided for be entered

into by the Issuer, that the Official Statement relating to the Series 2009 A Bonds, hereinafter described, be approved, that the Issuer's Chairman be authorized to enter into the Bond Purchase Agreement within the parameters hereby approved by the Board, and that other matters relating to the Series 2009 A Bonds be herein provided for, all in accordance with said Resolution,

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 Series 2009 A Bonds. The Series 2009 A Bonds shall be issued in the aggregate principal amount not to exceed \$2,300,000, bear interest at a rate not to exceed 8% payable semiannually as shown on the Certificate of Determinations shall mature in 30 years as shown on the Certificate of Determinations, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates, shall be subject to such redemption provisions, all as shall subsequently be approved by the Chairman; and shall be substantially in the form set forth in the Resolution, provided however, that the specific terms of the Series 2009 A Bonds shall be as determined by the Chairman at the time of the execution of the Bond Purchase Agreement and as approved by the Chairman in the Certificate of Series 2009 A Bonds Determinations attached hereto as EXHIBIT A. All other provisions relating to the Series 2009 A Bonds shall be as provided in the Resolution, and the Series 2009 A Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute the Bond Purchase Agreement on behalf of the District with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2009 A Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 3. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Series 2009 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Continuing Disclosure Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 4. The Official Statement to be substantially in the form attached hereto (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and deliver the

Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 5. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 2009 A Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 6. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2009 A Bonds.

Section 7. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia for the purpose of serving in the capacity of Registrar.

Section 8. The Issuer does hereby appoint and designate the Bank of Gassaway as the depository Bank.

Section 9. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 10. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.  
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission  
#8 Capitol Street, Suite 500  
Charleston, West Virginia 25301  
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, West Virginia 25301  
Attention: Public Finance

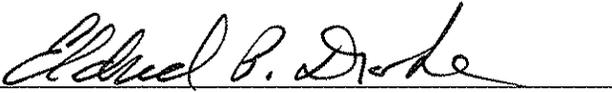
Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 2009 A Bond issue to the end that the Series 2009 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 12. The financing of the project with proceeds of the Series 2009 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 13. This Supplemental Resolution shall be effective immediately.

[Remainder of Page Intentionally Left Blank]

Adopted this 10th day of August, 2009.

  
Chairman

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 10th day of August, 2009.

Dated this 21st day of August, 2009.

[SEAL]

Secretary



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08.14.08  
292120.00004

EXHIBIT A

FORM OF CERTIFICATE OF SERIES 2009 A BONDS DETERMINATIONS

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED)

CERTIFICATE OF DETERMINATIONS

The undersigned, Eldred Drake, Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Public Service Board of the Issuer on August 21, 2009 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Water Revenue Bonds, Series 2009 A (the "Series 2009 A Bonds"), hereby finds and determines as follows:

1. The Series 2009 A Bonds shall be dated the date of closing thereon (estimated to be August 21, 2009) and shall bear interest on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_, 2009.
2. The Series 2009 A Bonds shall be issued in the aggregate principal amount of \$ \_\_\_\_\_, at a true interest cost of \_\_\_\_\_%. Such interest rates do not exceed 8%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.
3. The Series 2009 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.
4. The Series 2009 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.
5. The Series 2009 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.
6. The Series 2009 A Bonds shall be sold to Crews & Associates, Inc., (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$ \_\_\_\_\_ (representing par value less an Underwriter's discount of \$ \_\_\_\_\_ and a net original issue discount of \$ \_\_\_\_\_).

7. The forms of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2009 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2009 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

[Remainder of Page Intentionally Left Blank]

WITNESS my signature this 21st day of August, 2009.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: \_\_\_\_\_  
Its: Chairman

Schedule 1

SERIES 2009 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

<u>Bond No.</u>	Maturity Date or Sinking Fund (December 1)	Principal Amount	Interest Rate	Price or Yield	<u>CUSIP No.</u>
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Schedule 2

Redemption Provisions:

**Optional Redemption**

The Series 2009 A Bonds maturing on or after \_\_\_\_\_, 20\_\_\_\_, are subject to redemption on or after \_\_\_\_\_, 20\_\_\_\_, at the option of the Board, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at the applicable Redemption Price (expressed as a percentage of principal amount to be so redeemed) set forth in the table below, plus interest, if any, accrued to the date fixed for redemption:

<b>Redemption Period</b>	<b>Redemption Price</b>
_____, 20____ and thereafter	100%

In the event of such optional redemption, the Board may direct the maturity or maturities of the Bonds and the amounts thereof to be redeemed, provided that the Bonds will be redeemed in whole multiples of \$5,000 in principal amount and in the minimum principal amount of \$50,000.

CERTIFICATE OF DETERMINATIONS

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED)

CERTIFICATE OF DETERMINATIONS

The undersigned, Eldred Drake, Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Public Service Board of the Issuer on August 10, 2009 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Water Revenue Bonds, Series 2009 A (the "Series 2009 A Bonds"), hereby finds and determines as follows:

1. The Series 2009 A Bonds shall be dated the date of closing thereon (estimated to be August 21, 2009) and shall bear interest on March 1 and September 1 of each year commencing March 1, 2010.
2. The Series 2009 A Bonds shall be issued in the aggregate principal amount of \$2,175,000, at a true interest cost of 6.1781121%. Such interest rates do not exceed 8%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.
3. The Series 2009 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.
4. The Series 2009 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein.
5. The Series 2009 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.
6. The Series 2009 A Bonds shall be sold to Crews & Associates, Inc., (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$2,086,252 (representing par value less an Underwriter's discount of \$38,062.50 and a net original issue discount of \$50,685.50).
7. The forms of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2009 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2009 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 21st day of August, 2009.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By:   
Its: Chairman

Schedule 1

SERIES 2009 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

<u>Bond No.</u>	<u>Maturity Date or Sinking Fund (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP No.</u>
R-1	9/01/2019	\$335,000	5.250%	5.250%	33886A AA5
R-2	9/01/2024	\$290,000	5.500%	5.500%	33886A AB3
R-3	9/01/2029	\$380,000	5.500%	5.750%	33886A AC1
R-4	9/01/2039	\$1,170,000	6.000%	6.250%	33886A AD9

Schedule 2

Redemption Provisions:

**Optional Redemption**

The Series 2009 A Bonds maturing on or after \_\_\_\_\_, 20\_\_\_\_, are subject to redemption on or after \_\_\_\_\_, 20\_\_\_\_, at the option of the Board, in whole at any time or in part on any interest payment date, from any moneys available for such purpose, at the applicable Redemption Price (expressed as a percentage of principal amount to be so redeemed) set forth in the table below, plus interest, if any, accrued to the date fixed for redemption:

<b>Redemption Period</b>	<b>Redemption Price</b>
_____, 20____ and thereafter	100%

In the event of such optional redemption, the Board may direct the maturity or maturities of the Bonds and the amounts thereof to be redeemed, provided that the Bonds will be redeemed in whole multiples of \$5,000 in principal amount and in the minimum principal amount of \$50,000.

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
Water Revenue Bonds, Series 2009 A (Bank Qualified)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On the 21st day of August, 2009, the undersigned, Gregory B. Isaacs, Senior Managing Director of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and the Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 21st day of August, 2009, in Charleston, West Virginia, the Underwriter received the entire original issue of \$2,175,000 in aggregate principal amount of the Flatwoods-Canoe Run Public Service District (West Virginia) Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"). The Bonds, as so received on original issuance, are in various denominations, are all dated August 21, 2009, and are numbered from R-1, upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds, they had been executed by the Chairman of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Bond and attested by the Secretary of the Issuer by his manual signature, and had been authenticated by an authorized officer of United Bank, Inc., as Registrar.

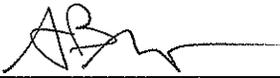
3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Bonds, the proceeds of the Bonds, as follows:

Par Amount	\$2,175,000.00
Less: Underwriter's Discount	(\$38,062.50)
Net Original Issue Discount	<u>(\$50,685.50)</u>
Total	<u>\$2,086,252.00</u>

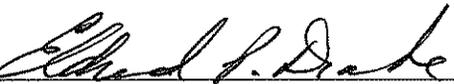
Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of \$2,086,252.

WITNESS our respective signatures as of the day and year first stated above.

CREWS & ASSOCIATES, INC.

By:   
Its: Senior Managing Director

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By:   
Its: Chairman

08.14.08  
292120.00004

CH4966605.1

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
Water Revenue Bonds, Series 2009 A (Bank Qualified)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United Bank, Inc., as Registrar  
Charleston, West Virginia

Ladies and Gentlemen:

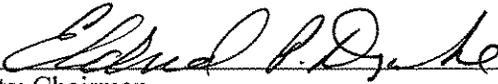
On the 21st day of August, 2009, there are delivered to you herewith as Registrar for the above-captioned Bonds:

1. Bonds Nos. R-1 through R-4, inclusive, constituting the entire original issue of the Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified), dated August 21, 2009, in the aggregate principal amount of \$2,175,000, (the "Bonds"), executed by the Chairman and Secretary of Flatwoods-Canoe Run Public Service District (the "Issuer") and bearing the official seal of the Issuer. The Bond is authorized to be issued under and pursuant to a Resolution adopted by the Issuer on August 10, 2009, as supplemented by a Supplemental Resolution adopted by the Issuer on August 10, 2009, (collectively, the "Resolution").
2. Copies of the Resolution, certified by the Secretary of the Issuer.
3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.
4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC, as bond counsel.

You are hereby requested and authorized, pursuant to Section 3.12 of the Resolution, to authenticate, register and deliver the Bonds to the Depository Trust Company, New York, New York, for the account of Crews & Associates, Inc., as the original purchaser thereof.

Dated as of the day and year first stated above.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By:   
Its: Chairman

08.14.08  
292120.00004

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-1

\$335,000

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
WATER REVENUE BOND, SERIES 2009 A BONDS (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.25%	September 1, 2019	August 21, 2009	33886A AA5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED AND THIRTY FIVE THOUSAND  
DOLLARS (\$335,000)

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and 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 Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided

for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning March 1, 2010 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United bank, Inc., Charleston West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$2,175,000 designated "Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 21, 2009, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) to fund a Reserve Account for the Series 2009 A Bonds (as hereinafter defined); and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 10, 2009, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on August 10, 2009 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (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 (THE "SERIES 2005 A BONDS"); AND (VI) WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED APRIL 24, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,014,000 (THE "SERIES 2007 A BONDS").

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 2007 A Bonds are collectively referred to as the "Prior Bonds."

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to September 1, 2016. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after September 1, 2016 as a whole in part, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below, are subject to mandatory sinking fund redemption prior to maturing on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing September 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2012	\$35,000
2013	\$35,000
2014	\$40,000
2015	\$40,000
2016	\$45,000
2017	\$45,000
2018	\$45,000
2019 (maturity)	\$50,000

Bonds Maturing September 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2020	\$50,000
2021	\$55,000
2022	\$60,000
2023	\$60,000
2024 (maturity)	\$65,000

Bonds Maturing September 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2025	\$70,000
2026	\$70,000
2027	\$75,000
2028	\$80,000
2029 (maturity)	\$85,000

Bonds Maturing September 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 90,000
2031	\$ 95,000
2032	\$100,000
2033	\$105,000
2034	\$110,000
2035	\$120,000
2036	\$125,000
2037	\$135,000
2038	\$140,000
2039 (maturity)	\$150,000

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the

redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

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, 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 Resolution for the Bonds (the "Series 2009 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2009 A Bonds 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 120% of the maximum amount payable in any fiscal 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 or subordinate to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, fund a reserve account for the Series 2009 A Bonds and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

  
Chairman

ATTEST:

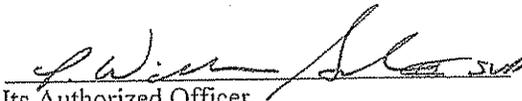
  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: August 21, 2009.

UNITED BANK, INC,  
as Registrar

By   
Its Authorized Officer

(Form of)

ASSIGNMENT

Social Security or Other Identifying Number of Assignee

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-2

\$290,000

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
WATER REVENUE BOND, SERIES 2009 A BONDS (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.500%	September 1, 2024	August 21, 2009	33886A AB3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED AND NINETY THOUSAND  
DOLLARS (\$290,000)

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and 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 Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided

for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning March 1, 2010 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United bank, Inc., Charleston West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$2,175,000 designated "Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 21, 2009, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) to fund a Reserve Account for the Series 2009 A Bonds (as hereinafter defined); and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 10, 2009, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on August 10, 2009 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (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"); (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 (THE "SERIES 2005 A BONDS"); AND (VI) WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED APRIL 24, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,014,000 (THE "SERIES 2007 A BONDS").

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 2007 A Bonds are collectively referred to as the "Prior Bonds."

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to September 1, 2016. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after September 1, 2016 as a whole in part, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below, are subject to mandatory sinking fund redemption prior to maturing on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing September 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2012	\$35,000
2013	\$35,000
2014	\$40,000
2015	\$40,000
2016	\$45,000
2017	\$45,000
2018	\$45,000
2019 (maturity)	\$50,000

Bonds Maturing September 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2020	\$50,000
2021	\$55,000
2022	\$60,000
2023	\$60,000
2024 (maturity)	\$65,000

Bonds Maturing September 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2025	\$70,000
2026	\$70,000
2027	\$75,000
2028	\$80,000
2029 (maturity)	\$85,000

Bonds Maturing September 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 90,000
2031	\$ 95,000
2032	\$100,000
2033	\$105,000
2034	\$110,000
2035	\$120,000
2036	\$125,000
2037	\$135,000
2038	\$140,000
2039 (maturity)	\$150,000

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the

redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

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, 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 Resolution for the Bonds (the "Series 2009 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2009 A Bonds 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 120% of the maximum amount payable in any fiscal 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 or subordinate to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, fund a reserve account for the Series 2009 A Bonds and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

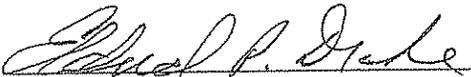
This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

  
Chairman

ATTEST:

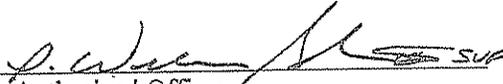
  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: August 21, 2009.

UNITED BANK, INC,  
as Registrar

By   
Its Authorized Officer

(Form of)

ASSIGNMENT

Social Security or Other Identifying Number of Assignee

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-3

\$380,000

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
WATER REVENUE BOND, SERIES 2009 A BONDS (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
5.500%	September 1, 2029	August 21, 2009	33886A AC1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED AND EIGHTY THOUSAND  
DOLLARS (\$380,000)

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and 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 Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided

for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning March 1, 2010 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United bank, Inc., Charleston West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$2,175,000 designated "Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 21, 2009, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) to fund a Reserve Account for the Series 2009 A Bonds (as hereinafter defined); and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 10, 2009, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on August 10, 2009 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (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 (THE "SERIES 2005 A BONDS"); AND (VI) WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED APRIL 24, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,014,000 (THE "SERIES 2007 A BONDS").

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 2007 A Bonds are collectively referred to as the "Prior Bonds."

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to September 1, 2016. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after September 1, 2016 as a whole in part, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below, are subject to mandatory sinking fund redemption prior to maturing on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing September 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2012	\$35,000
2013	\$35,000
2014	\$40,000
2015	\$40,000
2016	\$45,000
2017	\$45,000
2018	\$45,000
2019 (maturity)	\$50,000

Bonds Maturing September 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2020	\$50,000
2021	\$55,000
2022	\$60,000
2023	\$60,000
2024 (maturity)	\$65,000

Bonds Maturing September 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2025	\$70,000
2026	\$70,000
2027	\$75,000
2028	\$80,000
2029 (maturity)	\$85,000

Bonds Maturing September 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 90,000
2031	\$ 95,000
2032	\$100,000
2033	\$105,000
2034	\$110,000
2035	\$120,000
2036	\$125,000
2037	\$135,000
2038	\$140,000
2039 (maturity)	\$150,000

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the

redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

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, 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 Resolution for the Bonds (the "Series 2009 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2009 A Bonds 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 120% of the maximum amount payable in any fiscal 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 or subordinate to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, fund a reserve account for the Series 2009 A Bonds and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

  
Chairman

ATTEST:

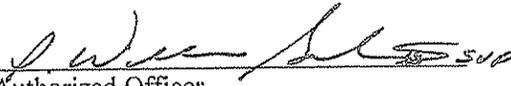
  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: August 21, 2009.

UNITED BANK, INC,  
as Registrar

By   
Its Authorized Officer

(Form of)

ASSIGNMENT

Social Security or Other Identifying Number of Assignee

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-4

\$1,170,000

UNITED STATES OF AMERICA  
STATE OF WEST VIRGINIA  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
(WEST VIRGINIA)  
WATER REVENUE BOND, SERIES 2009 A BONDS (BANK QUALIFIED)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
6.000%	September 1, 2039	August 21, 2009	33886A AD9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION ONE HUNDRED AND SEVENTY THOUSAND  
DOLLARS (\$1,170,000)

KNOW ALL MEN BY THESE PRESENTS: That FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and 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 Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided

for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning March 1, 2010 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February 15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United bank, Inc., Charleston West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of \$2,175,000 designated "Flatwoods-Canoe Run Public Service District Water Revenue Bonds, Series 2009 A (Bank Qualified)" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated August 21, 2009, the proceeds of which are to be used, together with other funds of the Issuer, (i) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) to fund a Reserve Account for the Series 2009 A Bonds (as hereinafter defined); and (iii) to pay certain costs of issuance of the Series 2009 A Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on August 10, 2009, and supplemented by a supplemental parameters resolution duly adopted by the Issuer on August 10, 2009 (hereinafter collectively referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (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 (THE "SERIES 2005 A BONDS"); AND (VI) WATER REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED APRIL 24, 2007, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,014,000 (THE "SERIES 2007 A BONDS").

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 2007 A Bonds are collectively referred to as the "Prior Bonds."

The Bonds of this issue are subject to redemption prior to their stated maturity dates, as provided in the Resolution and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to September 1, 2016. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after September 1, 2016 as a whole in part, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below, are subject to mandatory sinking fund redemption prior to maturing on September 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing September 1, 2019

<u>Year</u>	<u>Principal Amount</u>
2012	\$35,000
2013	\$35,000
2014	\$40,000
2015	\$40,000
2016	\$45,000
2017	\$45,000
2018	\$45,000
2019 (maturity)	\$50,000

Bonds Maturing September 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2020	\$50,000
2021	\$55,000
2022	\$60,000
2023	\$60,000
2024 (maturity)	\$65,000

Bonds Maturing September 1, 2029

<u>Year</u>	<u>Principal Amount</u>
2025	\$70,000
2026	\$70,000
2027	\$75,000
2028	\$80,000
2029 (maturity)	\$85,000

Bonds Maturing September 1, 2039

<u>Year</u>	<u>Principal Amount</u>
2030	\$ 90,000
2031	\$ 95,000
2032	\$100,000
2033	\$105,000
2034	\$110,000
2035	\$120,000
2036	\$125,000
2037	\$135,000
2038	\$140,000
2039 (maturity)	\$150,000

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. A copy of such notice of redemption shall also be mailed to the Registrar. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the

redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Bond.

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, 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 Resolution for the Bonds (the "Series 2009 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 an indebtedness of the Issuer within the meaning of any of the provisions or limitations of the constitution, 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 2009 A Bonds 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 120% of the maximum amount payable in any fiscal 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 or subordinate to the Bonds, including the Prior Bonds.

All monies received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of acquisition and construction of certain additions, betterments and improvements to the System, fund a reserve account for the Series 2009 A Bonds and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

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

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 be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the Resolution.

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

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

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

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA) has caused this Bond to be signed by its Chairman, and its corporate seal to be imprinted hereon and attested by its Secretary, and has caused this Bond to be dated as of the Bond Date specified above.

[SEAL]

  
Chairman

ATTEST:

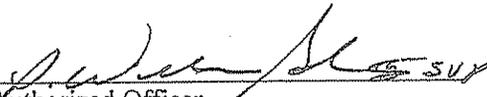
  
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: August 21, 2009.

UNITED BANK, INC,  
as Registrar

By   
Its Authorized Officer

(Form of)

ASSIGNMENT

Social Security or Other Identifying Number of Assignee

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

Dated: \_\_\_\_\_, 2009.

\_\_\_\_\_

SIGNATURE GUARANTEED:

\_\_\_\_\_  
(Bank, Trust Company or Firm)

\_\_\_\_\_  
(Authorized Officer)

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

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

Case No.: 08-0165-PWD-CN

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Application for a certificate of convenience and necessity to construct certain improvements to its water treatment plant..

STATE OF WEST VIRGINIA  
COUNTY OF KANAWHA, TO-WIT:

AFFIDAVIT

I, Todd Dingess, CPA, after making an oath of affirmation to tell the truth, say that; I have reviewed the Recommended Decision of the Public Service Commission of West Virginia in Case No. 08-0165-PWD-CN dated December 11, 2008 approving a U.S. Economic Development Authority grant in the amount of \$1,600,000, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,618,492 and, based upon all the information that has been provided to me, to date, I am of the opinion that the rates and charges for the Town (i) are not affected by the revised funding consisting of a U.S. Economic Development Authority grant in the amount of \$2,695,500, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,175,000; and (ii) will be sufficient to provide revenues which, together with other revenues of the System, will allow me to provide the CPA certification required for the issuance of the Bonds.

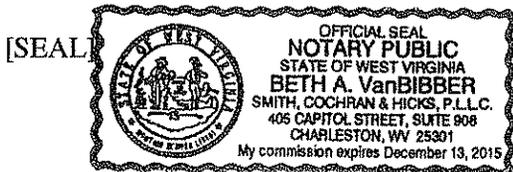
This Affidavit is executed on the 18th day of August, 2009.

*Todd Dingess* CPA  
\_\_\_\_\_  
Todd Dingess, CPA  
Smith Cochran & Hicks

Taken, subscribed and sworn to before me this 18<sup>th</sup> day of August, 2009.

My commission expires 12/13/13.

*Beth A. VanBibber*  
\_\_\_\_\_  
Notary Public



PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

Entered: December 11, 2008

FINAL

12/31/2008

CASE NO. 08-0165-PWD-CN

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public utility, Sutton, Braxton County. Application for a certificate of convenience and necessity to construct certain improvements to its water treatment plant.

RECOMMENDED DECISION

On February 15, 2008, Flatwoods-Canoe Run Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity to construct certain improvements and modifications to upgrade its water treatment plant's capacity from 0.75 million gallons per day (MGD) to 1.5 MGD. The proposed improvements and modifications will include upgrading the raw water intake and pumping system, upgrading the flocculation and sedimentation processes, providing a new filtration system, providing new chemical feed systems, constructing additional clearwell storage, constructing a new operations building and construction of new solids collection and pumping facilities. The proposed project will be financed by a grant from the Economic Development Agency (EDA) in the amount of \$1,600,000, a Weyerhaeuser Grant in the amount of \$700,000 and a private bond issue in the amount of \$2,618,492. The District proposed an interim 27.25% increase in rates to meet current operation and maintenance costs and to pay its existing bonded indebtedness and, upon completion of its proposed project, an additional rate increase of 14.40%. A Rule 42 Exhibit for the year ended June 30, 2007, prepared by Smith, Cochran & Hicks, P.L.L.C., Certified Public Accountants, was attached to the certificate application. The District has one resale customer, namely, the Birch River Public Service District (Birch River PSD).

By Order dated February 15, 2008, the District was directed to provide notice of the filing of the application by publishing a copy of said Order once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia, making due return to the Commission of proper certification of publication immediately after publication. The Notice directed that anyone desiring to make an objection to the certificate application must do so, in writing, within thirty (30) days after publication of said Notice. It was further provided that failure to timely protest or intervene could affect one's right to protest, including any associated rate increase, or to participate in future proceedings. The Notice further provided that, if no protests were received within the thirty-day period, the Commission could waive formal hearing and grant the

certificate application based upon the evidence submitted with the application and the Commission's review thereof.

On February 21, 2008, the West Virginia Water Development Authority (WDA), by counsel, filed a Petition to Intervene. In support of its Petition, the WDA stated that:

(1) It is a state agency which holds water revenue bonds of the District and that, at the present time, there are deficiencies in the water revenue bond accounts held by the West Virginia Municipal Bond Commission; and

(2) The WDA wishes to be made a party in this proceeding so that it can be assured that any Order from the Commission regarding the District's rates takes into account the WDA's interests as bondholder of the District and the bond deficiencies. According to the WDA, no other party in this matter has an interest so similar to that of the WDA that the WDA's interests would be protected without its presence in this case.

On March 3, 2008, Staff Attorney Cassius H. Toon filed an Initial Joint Staff Memorandum to which was attached an Initial Internal Memorandum dated February 27, 2008, prepared by Susan L. Brown, Utilities Analyst III, Water and Wastewater Division, and Sylvie Steranka, Technical Analyst I, Engineering Division. Staff reported that it was continuing its investigation into the District's certificate application and would file its final recommendation herein in a timely manner. In the interim, referral of this matter to the Division of Administrative Law Judges for further disposition was recommended.

On March 12, 2008, the District filed an affidavit of publication reflecting that, in compliance with the Commission's February 15, 2008 Order, the Notice of Filing had been published on February 26 and March 4, 2008, in the Braxton Citizens' News, a newspaper duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia.

Also on March 12, 2008, counsel for the WDA filed a status of accounts report from the Municipal Bond Commission dated March 10, 2008; reflecting that the District had a bond deficiency of \$95,605.15 in its water bond accounts.

On March 13, 2008, the District filed a Request for Emergency Rate Relief. Due to its cash flow deficit, the District requested that the interim rates set forth in its certificate filing be implemented on an emergency basis, subject to refund, until a complete financial analysis can be completed by Commission Staff. The District stated that the emergency increased water rates were necessary for its continued viability and that, without the immediate implementation of those increased rates, its financial condition would continue to deteriorate.

On March 19, 2008, the District filed an affidavit of publication reflecting that, in compliance with the Commission's February 15, 2008 Order, the Notice of Filing had been published on February 28 and March 7, 2008, in The Braxton Democrat-Central, a newspaper duly qualified by

the Secretary of State, published and of general circulation in Braxton County, West Virginia.

On March 24, 2008, Mr. Toon filed an Interim Joint Staff Memorandum to which was attached an Interim Internal Memorandum dated March 19, 2008, prepared by Ms. Brown and Ms. Steranka. Based on the District's \$203,613 going-level cash flow deficit, Commission Staff recommended that a 27.25% emergency interim rate increase be granted, subject to refund. A cash flow analysis for the fiscal year ending June 30, 2007, including the Staff-recommended emergency rate increase, was attached to the Staff Memorandum. Commission Staff's recommended interim rates will result in a minimum monthly bill of \$22.10, based on 2,000 gallons of water used per month, and an average bill of \$40.43, based on 4,500 gallons of water used per month. The Staff-recommended emergency interim rates will produce a cash flow surplus of \$68,104 with a debt service coverage factor of 137.65%. A Staff-recommended emergency interim tariff was attached to the Staff Memorandum as Attachment 2.

On March 25, 2008, the District, by counsel, filed a letter setting forth that it was in full agreement with the recommendations set forth in Commission Staff's Interim Joint Staff Memorandum.

On April 1, 2008, the Birch River PSD filed a Petition to Intervene. In support of the Petition to Intervene, the Birch River PSD stated that:

- (1) It is a resale water customer of the District; and
- (2) The Birch River PSD wishes to be made a party in this proceeding so that it can be assured that the resale rate increase, and any resulting Order from the Commission, takes into account the interest of the Birch River PSD's ratepayers. According to the Birch River PSD, no other party in this matter has an interest so similar to that of the Birch River PSD that its interests would be protected without its presence in this case.

Also on April 1, 2008, the WDA, by counsel, filed a letter stating that it did not object to the interim rates recommended by Commission Staff. However, the WDA went on to request that the recommended interim rates include a surcharge to begin reducing the District's bond deficiencies.

On April 2, 2008, the District filed a Form of Certificate of Posting, Publication and Mailing to Water Customers and Resale Customers of the Flatwoods-Canoe Run Public Service District's Change in Tariff.

On April 3, 2008, the District filed a letter setting forth its opposition to the WDA's request that a surcharge be included in the interim rates recommended by Commission Staff.

On April 4, 2008, Mr. Toon filed Staff's Response to West Virginia Water Development Authority's Request for Surcharge. Commission Staff stated that:

- (1) The WDA's request for inclusion of a surcharge in Commission staff's recommended rates contained no proposed

surcharge, no total amount of delinquency, nor a time line for bringing the delinquency current; and

(2) Commission Staff had insufficient information to address the request for a surcharge.

On April 4, 2008, Mr. Toon filed Commission Staff's First Set of Interrogatories, Data Request or Requests for Information directed to the WDA.

On April 18, 2008, the WDA, by counsel, filed a letter stating that it was withdrawing its request that a surcharge be included in the Staff-recommended rates. The WDA also provided a Municipal Bond Commission Status of Accounts as of April 7, 2008, which indicated a deficiency for the District of \$114,318.77. Also included was a calculation of the impact upon the District's bond deficiencies of a \$1.00 per thousand gallons of water used surcharge.

By Interim Recommended Decision dated April 22, 2008 (Final May 12, 2008), an interim across-the-board rate increase of 27.25% was approved, subject to refund, and the Staff-recommended interim rates, as set forth in Appendix A attached thereto, were approved for use by the District on and after the date said Order became final, provided that the District could not charge those rates until it had fulfilled the publication requirement set forth in said Order. The Interim Recommended Decision also granted intervenor status to the Water Development Authority and the Birch River Public Service District.

On April 29, 2008, Rosa L. O'Neal and William B. O'Neal filed a letter setting forth their opposition to the granting of a right-of-way or easement to the District for installation of a sewer line.

On May 6, 2008, the District filed an affidavit of publication reflecting that the Notice of Interim Rate Increase had been published on April 29, 2008, in the Braxton Citizens' News, a newspaper duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia.

Also on May 6, 2008, Mr. Toon filed Commission Staff's First Set of Interrogatories, Data Request or Requests for Information directed to the District.

On May 9, 2008, the District filed its Responses to Commission Staff's First Set of Interrogatories, Data Request or Requests for Information.

On May 15, 2008, Mr. Toon filed a Motion to the Administrative Law Judge to Extend Staff Report Due Date. In support of said motion for a fifteen (15) day extension of the Staff Report due date, Mr. Toon stated that:

(1) Commission Technical Staff needed an additional fifteen (15) days to evaluate the information supplied by the District in its Responses to Commission Staff's First Set of Interrogatories, Data Request or Requests for Information filed on May 9, 2008; and

(2) No party will be prejudiced by a fifteen (15) day extension of the Staff Report due date.

Pursuant to Commission policy, the final substantive recommendation in this case was due on May 15, 2008.

By Procedural Order dated May 19, 2008, the Staff Report due date of May 15, 2008, was extended until May 30, 2008.

On May 30, 2008, Mr. Toon filed a Further Joint Staff Memorandum to which was attached an Interim Internal Memorandum dated May 30, 2008, prepared by Nathan Nelson, Utilities Analyst II, Water and Wastewater Division, and Ms. Steranka. Commission Staff reported that the District's request for non-project-related rates prompted it to conduct a further review of the District's case history. Specifically, in Case No. 04-0233-PWD-CN (Final January 27, 2005), the District was directed to operate under the rates approved therein for a period of six (6) months and then file for a rate review to determine whether a rate adjustment was required. The District's rate filing was to include a class cost of service study to justify the proposed rates and rate structure. The project approved in Case No. 04-0233-PWD-CN was substantially completed on November 6, 2006, and, although the District had been operating under the rates approved in the certificate case for over a year, no rate review had been sought by the District. Thus, with this certificate filing and request for a non-project-related rate increase, a class cost of service study was necessary. Given this requirement, Commission Staff reported that it would not be able to file its final report and recommendations as directed by the Procedural Order entered herein on May 19, 2008.

On June 5, 2008, the District filed a Motion to Toll Statutory Time Period requesting a sixty-day tolling of the statutory deadline to afford Commission Staff sufficient time to complete a class cost of service study.

On June 12, 2008, Mr. Toon filed Commission Staff's Second Set of Interrogatories, Data Request or Requests for Information directed to the District.

On June 17, 2008, Mr. Frank H. Henderson filed a letter of protest. Mr. Henderson stated that he and many residents of Braxton County were on fixed incomes and could not continue to pay their rising utility bills. Accordingly, Mr. Henderson requested that the District's requested rate increase be denied.

By Commission Order dated June 18, 2008, the District's motion for an extension of the statutory deadline was granted and said deadline was tolled for sixty (60) days from November 11, 2008, to January 9, 2009. The Administrative Law Judge's decision due date of September 12, 2008, was extended until November 12, 2008, and Commission Staff was directed to file its final recommendations herein within sixty (60) days of the entry of said Order.

On July 31, 2008, the District filed a Motion to Extend the Administrative Law Judge's Decision Date and the Deadline for the Filing of the Staff's Class Cost of Service Study and Recommendation in this

proceeding. In support of said motion, the District stated that it had been informed that Commission Staff would not be able to complete the required class cost of service study by the Commission-established deadline and that an additional thirty (30) days would be required to complete said study and file a final report herein.

By Commission Order dated August 6, 2008, the statutory due date in this proceeding was tolled for an additional thirty (30) days from January 9, 2009, to February 6, 2009. The Administrative Law Judge's decision due date of November 12, 2008, was extended until December 12, 2008, and Commission Staff was directed to file its final recommendations herein on or before September 16, 2008.

On August 21, 2008, the District filed its Response to Commission's Staff's Second Set of Interrogatories, Data Request or Requests for Information.

On August 27, 2008, the District filed a copy of its Monthly Operational Report for August 2006.

On September 17, 2008, Mr. Toon filed a Further Joint Staff Memorandum to which was attached an Interim Internal Memorandum dated September 16, 2008, prepared by Mr. Nelson and Ms. Steranka. Commission Staff reported that it was in the process of compiling its final report in this matter and anticipated filing its final recommendations within one (1) week.

On September 30, 2008, Mr. Toon filed a Final Joint Staff Memorandum to which was attached a Staff Report dated September 30, 2008, prepared by Mr. Nelson and Ms. Steranka. Commission Staff recommended approval of the District's proposed project to expand the treatment of its water treatment plant and proposed financing. Commission Staff also recommended a two (2) step increase in rates with the Staff-Recommended No. 1 Rates addressing going-level increases, while the Staff-Recommended No. 2 Rates will address all increases associated with the certificate project at issue in this proceeding. Additionally, Commission Staff recommended a surcharge of \$0.14 per 1,000 gallons per month to eliminate the District's deficiency in its accounts with the WDA, said surcharge to terminate when the deficiency is eliminated or upon the expiration of twelve (12) months from the date of a final Commission Order in this proceeding, whichever occurs first.

On October 2, 2008, counsel for the WDA filed a letter requesting that the surcharge be kept in place until the deficiency is satisfied, without any time limitation, and that it also be included in the post-construction tariff in the event that the deficiency is not cured when that tariff takes effect.

On October 10, 2008, the Birch River PSD filed a letter stating that Commission Staff's Final Joint Staff Memorandum was being reviewed by its accountant and that it would file its response to that Final Joint Staff Memorandum as soon as possible.

By Procedural Order issued on October 30, 2008, this matter was set for hearing on Tuesday, November 18, 2008, commencing at 10:00 a.m., in the Sutton Community Building, Upstairs Conference Room, 450 Fourth

Street, Sutton, West Virginia. The District was directed to give notice to its customers of the hearing and Staff-recommended increased rates and charges by publishing a copy of the Notice of Hearing and Staff-Recommended Rates, attached thereto as Appendix A, once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia, making due return to the Commission of proper certification of publication within ten (10) days of the date of publication, but, in any event, no later than November 18, 2008, at the hearing.

On November 7, 2008, counsel for the WDA filed a letter stating that, as a result of recent payments, the District's account deficiencies with the WDA had been corrected and, therefore, the \$0.14 per 1,000 gallons per month surcharge recommended by Commission Staff was unnecessary. The letter concluded by stating that, since the WDA's account payment issue with the District had been resolved, a WDA representative would not be attending the November 18, 2008 hearing.

On November 13, 2008, counsel for the Birch River PSD filed a letter stating that the Birch River PSD had no objections to the Staff-recommended rates and charges and would not be sending a representative to the November 18, 2008 hearing.

Also on November 13, 2008, the District filed an affidavit of publication reflecting that the Notice of Hearing and Staff-Recommended Rates had been published on November 11, 2008, in the Braxton Citizens' News, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia.

On November 17, 2008, the District filed an affidavit of publication reflecting that the Notice of Hearing and Staff-Recommended Rates had been published on November 7, 2008, in The Braxton Democrat-Central, a newspaper, duly qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia.

The hearing convened on Tuesday, November 18, 2008, as scheduled. Appearing on behalf of the District was H. Wyatt Hanna, Esquire. Mr. Toon appeared on behalf of Commission Staff. Commission Staff introduced one (1) exhibit. No members of the public attended the hearing. (See, Tr. pp. 6 and 11).

The transcript of the November 18, 2008 hearing, consisting of eleven (11) pages and a court reporter's certificate, was filed with the Commission on November 24, 2008.

#### EVIDENCE

The District's proposed project to upgrade its water treatment plant and increase capacity from 0.75 MGD to 1.5 MGD will include replacement of the raw water screens with new screens that will allow a water intake of 1,050 gallons per minute (GPM). Existing vertical turbine pumps will be replaced with two (2) larger turbine units capable of pumping 1,050 GPM of water to the plant. Discharge piping will be modified and located in a new valve vault. The District's flocculation and sedimentation processes will also be upgraded. To keep costs down, the first

flocculation basin will be reused and retrofitted with new equipment to allow for the increased flow rate. The existing pre-settling basin will be converted to the second flocculation basin. Under normal conditions, the flow will be split to ensure a minimum detention time of 30 minutes in each basin. The velocity of water out of the basins will be maintained at less than 1.5 feet per second to allow effluent flocculation. The existing 8" static mixer will be reused and two (2) new sedimentation basins will be built with 262.5 square feet of tube settler. Each basin will have a mechanical sludge removal system and a drain to the lagoon. New chemical feed systems and chemical storage will be included in a new pre-engineered metal building. Sodium permanganate will be used primarily for manganese removal, which is not possible with the present plant. Fluoride will also be fed into the finished water to improve the health of the residents. The new building will also include a new lab, office, bathroom and control room. The high service pump well and new clearwell will be located under the building. To decrease overall costs, the new clearwell will be connected to the existing clearwell resulting in a total clearwell capacity of 100,000 gallons. Only a single 525 GPM turbine pump will be added to the existing vertical turbine pumps. The existing lagoon system will be replaced with a smaller lagoon and a submersible pump station that will pump the wastewater to the wastewater treatment plant. (See, Staff Ex. No. 1, Letter of Transmittal).

The project is estimated to cost approximately \$4,918,492. The proposed project will be financed by an EDA grant in the amount of \$1,600,000, a Weyerhaeuser grant in the amount of \$700,000 and a private bond issue in the amount of \$2,618,492. The \$4,918,492 total estimated cost of the project is broken down as follows, to wit:

Construction	\$3,544,084
Construction Contingencies	354,408
Engineering	205,000
Inspection	160,000
Legal	30,000
Accounting	20,000
Administration-Region VII	75,000
Permits	5,000
Project Contingencies	91,000
Office Building	75,000
Funded Reserve	130,000
Capitalized Interest	108,000
Underwriters Fee & Counsel	90,500
Registrar Fees	500
Bond Counsel	30,000
Estimated total project cost	\$4,918,492

Commission Engineering Staff noted that the construction and project costs are based on estimates, since the project has not yet been bid, and the actual construction costs will likely increase once the bids are opened. The District was aware of this possibility and its manager had mentioned to Commission Engineering Staff that modification to the lagoon and construction of the sludge pumping station would be considered as deductive alternatives, if necessary. (See, Staff Ex. No. 1, Letter of Transmittal).

Commission Engineering Staff went on to report that the combined construction and project contingencies represent 9.1% of the total project cost and that the engineering and inspection costs represent 7.4% of the total project cost and 10.3% of the construction cost. The construction cost represents 72% of the total project cost. Commission Engineering Staff was of the opinion that the foregoing costs are reasonable. It was also noted by Commission Engineering Staff that the District's operation and maintenance costs (O&M) are not expected to increase as a result of the proposed project and that customer density and cost per customer were not calculated since the proposed project involves permanent upgrades and improvements to an existing system without the addition of new customers. (See, Staff Ex. No. 1, Letter of Transmittal).

Commission Staff reported that, according to the District, all necessary permits have been applied for; NPDES Permit No. 17,787 covering the expansion and upgrade of the District's existing water treatment plant had been issued by the State of West Virginia Department of Environmental Health Services on November 26, 2007; the West Virginia Bureau for Public Health, Environmental Engineering Division, had reviewed the project plans and specifications and had approved the design documents; and Commission Engineering Staff had also completed a review of the plans, specifications and other technical documents provided by the District which revealed no conflict with the applicable provisions of the Commission's Rules and Regulations for the Government of Water Utilities (Water Rules) concerning engineering requirements. (See, Staff Ex. No. 1, Letter of Transmittal).

Commission Engineering Staff went on to report that the District's water treatment plant is currently operating 18 to 20 hours per day and that the Department of Health had recommended that water treatment plants producing less than 3 MGD take steps to increase their capacity when their operations exceed 14 to 16 hours per day. The District's June 2007 Annual Report reflected that a total 200,203 gallons of water had been pumped in the preceding year. Since that report, about 100 new customers have been added and requests to provide water service for an additional 945 customers have been received. Additionally, several commercial developments are also being planned which could increase the District's commercial load by 10%. With a projected population growth of 12%, and a peak demand factor of 1.33, it was estimated that the District's peak daily water production will reach 1,035,000 gallons. Also, some of the District's existing treatment equipment and steel structures have exceeded their useful life and require excessive maintenance. Accordingly, Commission Engineering Staff was of the opinion that the proposed project is necessary and appropriate given the District's need to continue providing safe, potable water to its existing customers and to meet the water service demands of new customers now and in the future. (See, Staff Ex. No. 1, Letter of Transmittal).

Commission Financial Staff reported that the District currently operates its water office out of the same building as its water plant. The District's water operations employs eight (8) field workers, one (1) office worker and a manager. According to Commission Financial Staff, the District maintains appropriate checking and savings accounts with its books and records maintained by an independent bookkeeper.

At the time of the preparation of Staff Ex. No. 1, the District was delinquent in its payments to the WDA, and Commission Staff had recommended a surcharge of \$0.14 per 1,000 gallons per month to resolve the arrearage. However, the District has, subsequent to the preparation of Staff Ex. No. 1, corrected the deficiency to the WDA and, therefore, the \$0.14 per 1,000 gallons per month surcharge recommended by Commission Staff is unnecessary. (See, Staff Ex. No. 1, Letter of Transmittal; WDA letter filed November 7, 2008; Tr. p. 8).

The District's current long-term debt consists of the following:

<u>Debt Holder</u>	<u>Annual Payment</u>	<u>Date of Maturity</u>
1996 Rural Util. Service A	\$ 18,015	2036
1996 Rural Util. Service B	4,068	2036
1998 WV Water Dev. Auth.	38,625	2038
2001 Private Bond Issue	153,668	2041
2005 WVIJDC	132,964	2045
2007 WVIJDC	26,684	2047

Funds were provided for continued funding of the debt service reserves for the 2001 Private Bond issue and the WVIJDC loans. (See, Staff Ex. No. 1, Letter of Transmittal).

The District requested a two-step rate increase. The Phase I rate will go into effect immediately and will address the current costs of the District. The Phase II rates will go into effect upon substantial completion of the District's proposed project to upgrade its water treatment plant. Therefore, Commission Staff provided for a two-step increase in rates. The Staff-recommended No. 1 Rates addressed going-level increases, while the Staff-recommended No. 2 Rates addressed increases associated with the District's proposed water treatment plant upgrades project. (See, Staff Ex. No. 1, Letter of Transmittal).

Based upon the Class Cost of Service Study No. 1 performed by Commission Staff, rates and charges were developed which were deemed to be fair and equitable to the respective customer classes. The Staff-recommended No. 1 Rates will result in a minimum bill of \$23.38 based on 2,000 gallons of water used per month and an average bill of \$43.38 based on 4,500 gallons of water used per month. The Staff-recommended No. 1 Rates will produce a cash flow surplus of \$83.00 with a debt service coverage factor of 122.85%. The Staff-recommended No. 2 Rates will result in a minimum bill of \$27.50 based on 2,000 gallons of water used per month and an average bill of \$52.03 based on 4,500 gallons of water used per month. The Staff-recommended No. 2 Rates will produce a cash flow surplus of \$218.00 with a debt service coverage factor of 115.76%. Commission Staff also recommended that the funding for the District's proposed water treatment plant upgrades, consisting of an EDA grant in the amount of \$1,600,000, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,618,492, through Crews and Associates at an interest rate of 5.25% for a term of 30 years, be approved. Staff noted that commitment letters for all funding sources had been received. (See, Staff Ex. No. 1, Stmt. D, Sched.'s 7 and 8, Stmt. H; and Letter of Transmittal).

The District concurred with the increased rates and charges recommended by Commission Staff. (See, Trans. p. 9).

#### DISCUSSION

The rates recommended by Commission Staff in this case to address the District's current costs of operation appear to be reasonable and were designed to cover the District's O&M expenses, meet all of the District's debt service requirements and, accordingly, will be approved. Additionally, based upon a review of the District's certificate application and Commission Staff's written recommendations set forth in Staff Ex. No. 1, it is clear that the District's proposed upgrade project is needed to continue providing safe, potable water to its existing customers and to meet the water service demands of new customers now and in the future. Accordingly, the District's certificate application will be approved.

The financing for the proposed upgrade project, consisting of an EDA grant in the amount of \$1,600,000, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,618,492, through Crews and Associates, at an interest rate of 5.25% for a term of 30 years, are reasonable and will be approved. The Staff-recommended project rate increase will provide sufficient, but not more than sufficient, revenue to cover the District's O&M expenses and all of the District's debt service requirements and will be approved.

#### FINDINGS OF FACT

1. On February 15, 2008, the Flatwoods-Canoe Run Public Service District filed an application for a certificate of convenience and necessity to construct certain improvements and modifications to upgrade its water treatment plant's capacity from 0.75 million gallons per day to 1.5 million gallons per day. The proposed project will be financed by an EDA Grant in the amount of \$1,600,000, a Weyerhaeuser Grant in the amount of \$700,000 and a private bond issue in the amount of \$2,618,492. (See, February 15, 2008 filing).

2. The District proposed an interim 27.25% increase in rates to meet current operations and maintenance costs and to pay its existing bonded indebtedness and, upon completion of its proposed project, an additional rates increase of 14.04%. (See, February 15, 2008 filing).

3. The Water Development Authority filed a petition to intervene stating that it held water revenue bonds of the District which were then deficient and that it had a legal interest in this proceeding to ensure that the Commission sets rates which take into account the WDA's interests as a bondholder of the District and the bond deficiencies. (See, February 21, 2008 filing).

4. On March 12 and 19, 2008, the District filed affidavits of publication reflecting that, in compliance with the Commission's February 15, 2008 Order, the Notice of Filing had been published on February 26 and March 4, 2008, in the Braxton Citizens' News, and on February 28 and March 7, 2008, in The Braxton Democrate-Central, newspapers duly

qualified by the Secretary of State, published and of general circulation in Braxton County, West Virginia. (See, affidavits filed March 12 and 19, 2008).

5. The Birch River Public Service District filed a petition to intervene, stating that, as a resale water customer of the District, it had a legal interest in this proceeding to ensure that any order issued in this matter regarding the District's resale rates takes into account the interests of the Birch River PSD. (See, April 1, 2008 filing).

6. The District filed a Form of Certificate of Posting, Publication and Mailing to Water Customers and Resale Customers of the Flatwoods-Canoe Run Public Service District's Change in Tariff. (See, April 2, 2008 filing).

7. By Interim Recommended Decision dated April 22, 2008, final May 12, 2008, an interim across-the-board rate increase of 27.25% was approved, subject to refund, and the Staff-recommended interim rates, as set forth in Appendix A attached thereto, were approved for use by the District on and after the date said Order became final, provided that the District could not charge those rates until it had fulfilled the publication requirement set forth in said Order. The Interim Recommended Decision also granted intervenor status to the Water Development Authority and the Birch River Public Service District. (See, April 22, 2008 Interim Recommended Decision).

8. Commission Staff reported that the District's water treatment plant was currently operating 18 to 20 hours per day and that the Department of Health had recommended that water treatment plants producing less than 3 MGD take steps to increase their capacity when their operations exceed 14 to 16 hours per day. Additionally, since the District's last annual report, about 100 new customers have been added, and requests to provide water service for an additional 945 customers have been received, in addition to several commercial developments being planned which could increase the District's commercial load by 10%. (See, Staff Ex. No. 1, Letter of Transmittal).

9. Commission Staff recommended that the District be granted a certificate of convenience and necessity to perform the water treatment plant upgrades at issue herein, and that the project financing consisting of an EDA grant in the amount of \$1,600,000, a Weyerhaeuser Grant in the amount of \$700,000 and a private bond issue of \$2,618,492, through Crews and Associates at an interest rate of 5.25% for a term of 30 years, be approved. (See, Staff Ex. No. 1, Letter of Transmittal).

10. After review and investigation, to address current going-level revenue requirements, Commission Staff recommended rates which will result in a minimum bill of \$23.38 based on 2,000 gallons of water used per month and an average bill of \$43.38 based on 4,500 gallons of water used per month. The Staff-recommended going-level rates will produce a cash flow surplus of \$83.00, with a debt service coverage factor of 122.85%. (See, Staff Ex. No. 1, Stmt. D., Sched. 7, Stmt. H; and Letter of Transmittal).

11. After review and investigation, to address increases associated with the District's proposed water treatment plant upgrades project,

Commission Staff recommended rates which will result in a minimum bill of \$27.50 based on 2,000 gallons of water used per month and an average bill of \$52.03 based on 4,500 gallons of water used per month. The Staff-recommended project rates will produce a cash flow surplus of \$218.00, with a debt service coverage factor of 115.76%. (See, Staff Ex. No. 1, Stmt. D., Sched. 8, Stmt. H; and Letter of Transmittal).

12. On November 7, 2008, counsel for the WDA filed a letter stating that, as a result of recent payments, the District's account deficiencies with the WDA had been corrected, and, therefore, a proposed \$0.14 per 1,000 gallons per month surcharge was unnecessary. (See, Letter filed November 7, 2008).

13. On November 13, 2008, counsel for the Birch River PSD filed a letter stating that the Birch River PSD had no objection to the Staff-recommended rates and charges. (See, Letter filed November 13, 2008).

14. The District concurred with the recommendations and the increased rates and charges recommended by Commission Staff. (See, Trans. p. 9).

#### CONCLUSIONS OF LAW

1. The public convenience and necessity require the issuance of a certificate of convenience and necessity to the Flatwoods-Canoe Run Public Service District to construct certain improvements and modifications to upgrade its water treatment plant's capacity from 0.75 MGD to 1.5 MGD.

2. It is reasonable to approve the financing for the project, which consists of an EDA grant in the amount of \$1,600,000, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,618,492, through Crews and Associates at an interest rate of 5.25% for a term of 30 years.

3. Under the particular facts and circumstances of this case, and considering the recommendations of Commission Staff, it is reasonable and appropriate to approve the Staff-recommended No. 1 rates, attached hereto as Appendix A, for all services rendered by the District on and after the date that this Recommended Decision becomes final.

4. Under the particular facts and circumstances of this case, and considering the recommendations of Commission Staff, it is reasonable and appropriate to approve the Staff-recommended No. 2 rates, attached hereto as Appendix B, to become effective for all services rendered by the District on and after the date of substantial completion of the subject water treatment plant upgrade project.

#### ORDER

IT IS, THEREFORE, ORDERED that the application filed herein on February 15, 2008, by the Flatwoods-Canoe Run Public Service District for a certificate of convenience and necessity to construct certain improvements and modifications to upgrade its water treatment plant's

capacity from 0.75 million gallons per day to 1.5 million gallons per day be, and hereby is, approved.

IT IS FURTHER ORDERED that the financing for the project, consisting of an Economic Development Agency grant in the amount of \$1,600,000, a Weyerhaeuser Grant of \$700,000 and a private bond issue of \$2,618,492 be, and they hereby are, approved.

IT IS FURTHER ORDERED that the Staff-recommended increased rates and charges, attached hereto as Appendix A, be, and hereby are, approved for use by the Flatwoods-Canoe Run Public Service District for all services rendered on and after the date that this Recommended Decision becomes final.

IT IS FURTHER ORDERED that the Staff-recommended rates and charges, attached hereto as Appendix B, be, and hereby are, approved for use by the Flatwoods-Canoe Run Public Service District for all services rendered by the District on and after the date of substantial completion of the project certificated herein.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District file an original and at least five (5) copies of a revised tariff reflecting the rates set forth in Appendix A within thirty (30) days of the date that this Recommended Decision becomes a final order of the Commission. Additionally, the District shall file an original and at least five (5) copies of a revised tariff for the rates set forth in Appendix B within thirty (30) days of the date of substantial completion of the project certificated herein.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District be, and hereby is, directed to submit a certificate of substantial completion of the project from its engineer as soon as it becomes available.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District be, and hereby is, directed to file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that, if there are any changes in the plans and/or scope of the project or if a change in financing affects rates, the Flatwoods-Canoe Run Public Service District shall obtain Commission approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that, if there are any changes in the project costs that do not affect rates, the Flatwoods-Canoe Run Public Service District shall file herein an affidavit duly executed by its accountant verifying that the District's rates and charges are not affected.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, the Flatwoods-Canoe Run Public Service District comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

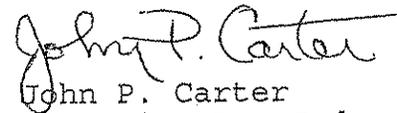
IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

Leave is hereby 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 order 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 order 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 order by filing an appropriate petition in writing with the 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 Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



John P. Carter  
Administrative Law Judge

JPC:cdk  
080165ac.wpd

FLATWOODS CANOE RUN PUBLIC SERVICE DISTRICT  
CASE NO. 08-0165-PWD-CN  
APPROVED RATES 1

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	\$11.69 per 1,000 gallons
Next	28,000 gallons used per month	\$ 8.00 per 1,000 gallons
All Over	30,000 gallons used per month	\$ 4.25 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following per month according to meter size:

5/8-inch meter	\$ 23.38 per month
3/4-inch meter	\$ 35.07 per month
1 -inch meter	\$ 58.45 per month
1-1/2-inch meter	\$ 116.90 per month
2 -inch meter	\$ 187.04 per month
3 -inch meter	\$ 374.08 per month
4 -inch meter	\$ 584.50 per month
6 -inch meter	\$1,169.00 per month

INDUSTRIAL RATE

\$5.74 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 \$4.11 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 (10%) charge will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected 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.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

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

SCHEDULE II

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 (10%) charge will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

FLATWOODS CANOE RUN PUBLIC SERVICE DISTRICT  
CASE NO. 08-0165-PWD-CN  
APPROVED RATES 2

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	\$13.75 per 1,000 gallons
Next	28,000 gallons used per month	\$ 9.81 per 1,000 gallons
All Over	30,000 gallons used per month	\$ 4.50 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following per month according to meter size:

5/8-inch meter	\$ 27.50 per month
3/4-inch meter	\$ 41.25 per month
1 -inch meter	\$ 68.75 per month
1-1/2-inch meter	\$ 137.50 per month
2 -inch meter	\$ 220.00 per month
3 -inch meter	\$ 440.00 per month
4 -inch meter	\$ 687.50 per month
6 -inch meter	\$1,375.00 per month

INDUSTRIAL RATE

\$6.00 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 \$4.51 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 (10%) charge will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected 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.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

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

SCHEDULE II

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 (10%) charge will be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

The following claims were issued---General County Fund

743	State Auditor	Social Security Oct., Nov., Dec. 1966	121.5
744	Director of Internal Revenue	Withholding, Oct., Nov., Dec. 1966	125.4
745	State Tax Commissioner	State Tax, Oct., Nov., Dec., 1966	11
746	W. Va. Publ. Empl. Ret. System	Employee Contribution	170
747	W. Va. Publ. Empl. Ret. System	Employer Contribution	503
748	M. G. Ulmer	Corners Fee	3.1
749	Merlene Campbell	Extra Help, Cir. Clerk fees 2.52 55	17.4
750	Forrest Graves	Jury Commissioner	73.2
751	Joseph Gregory	Jury Commissioner	73.2
752	Henry & Hardisty, Inc.	Insurance for Sheriff	10.3
753	Shirley Conrad	Extra Help, Election	18.7
754	Richard Gibson	Mileage	3.0
755	Leopold Kainick	Mileage	10.1
756	William M. King	Copy of Marriage	1.2
757	William W. Jack	Postage	17.4
758	Brunton Central	Printing	17.1
759	Brunton Democrat	Printing	17.10

//  
No further business coming before the Court they do now adjourn to meet  
January 1, 1967.

*Herbert Moore* Presid.

JANUARY 1, 1967

The County Court sat pursuant to their last regular meeting of December  
23, 1966.

Present, Herbert Moore, Aubrey Robertson and Beth D. Harris.

The Court re-organized by electing Herbert Moore, President for the  
coming year.

//  
The Court voted to meet the 1st Tuesday of each month from nine o'clock  
A.M. to four o'clock P.M.

//  
Herbert Moore was elected a member of the Western District Guidance  
Clinic Committee.

//  
A motion was made seconded and voted on to buy a 1965 Mercury Comet (22  
from Bruce Stutler for \$1400.00. Pay him 123.00 rent per month until July and the amount  
paid for rent to be deductible from the \$1400.00 and the balance paid in July.

//  
Aubrey C. Robertson was elected a member of the Brunton County Planning  
Committee.

//

// The County Court met February 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12th 1946 to meet as a Board of Equalization. Any assessment made by the Assessor and not objected to at these meetings will be final after adjournment of the Board.

// IN THE COUNTY COURT OF BRANTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF  
CANDOR RUN PUBLIC SERVICE DISTRICT.

WHELAN, on the 10th day of December, 1946, came Jennifer J. Jones, Attorney at Law, and presented a Petition of approximately one hundred (115) legal voters resident within the limits of the proposed Candor Run Public Service District, and moved the Court to file said Petition and to fix a date of hearing in Branton County, West Virginia on the creation of the proposed public service district; and.

WHELAN, and being proper so to do, this Court on the 10th day of December, 1946 unanimously sustains said petition, 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 Branton 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 Branton County, West Virginia, on the 3rd day of January, 1947, 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.

WHELAN, the Clerk of this Court caused to have published in the Branton Democrat in the issues of December 15th and 22nd, 1946 the following notice, to-wit:

"LEGAL PUBLICATION

NOTICE OF PUBLIC HEARING FOR  
CREATION OF CANDOR RUN PUBLIC  
SERVICE DISTRICT

NOTICE TO ALL PERSONS RESIDING  
IN, OR OWNING, OR HAVING ANY  
INTEREST IN PROPERTY IN THE  
PROPOSED CANDOR RUN PUBLIC  
SERVICE DISTRICT:

You are hereby notified that pursuant to an order entered on the 10th day of December 1946, by the County Court of Branton County, West Virginia, the County Court of Branton County, West Virginia will hold a public hearing in the Courthouse at Sutton in Branton County, West Virginia starting at 1:00 o'clock p.m. on the 3rd day of January 1947, 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, 1946 of approximately one hundred (115) legal voters resident within the coming real property within the limits of the proposed public service district; that the territory to be embraced within said proposed public service

commencing at the Town of Cassaway immediately adjacent to the area in said Town of Cassaway immediately adjacent to the area in said Town of Cassaway 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 westward 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, 1906.

William W. Jack,  
Clerk of the County Court of  
Braxton County, West Virginia.

De Dec. 15-22: and,

WHEREAS, this Court convened on this the 1st day of January, 1907, at one of its regular sessions, and starting at 1:00 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, 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 Cassoway Run Public Service District; that the territory to be embraced within said public service district is located in the legislative district of Otter in Braxton County, West Virginia, commencing at the Town of Cassaway immediately adjacent to the area in said Town of Cassaway 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 westward of said Elk River through a portion of said Otter legislative 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 Cassoway 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 thereof; and that said Cassoway Run Public Service District, in compliance with Chapter 18, Article III, Section 3, (Michie's Code Serial Section 1409 (DRC)) 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  
CASSOWAY RUN PUBLIC SERVICE DISTRICT.

On the 1st day of January, 1907, at one of its regular sessions, and after this Court had by a prior order created the Cassoway Run Public Service District, this Court required of and requested 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 Ferris Brady of Cassoway, William Abruzzese of Cassoway, and Wallace Clouser of Cassoway, be appointed such board members.

It is therefore, ordered that Ferris Brady, William Abruzzese, and Wallace Closser, be, and hereby are, appointed board members of the Canoe Run Public Service District, and that Wallace Closser shall serve for a term of two years, and that William Abruzzese shall serve for a term of four years, and that Ferris Brady shall serve for a term of six years as such board members of said district, all starting on the first day of January 1947, 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 Bearton 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 1946. said budget approved a \$50.00 per month raise for office expenses of said Clerk's Office. said budget was approved for the remainder of the 1946-47 fiscal year, after a letter was read from the State Tax Com. re: approving this. The raise originally approved by the Court has not been taken. Letter from the Tax Commissioner is as follows: This would make a salary of \$175.88 per month.

By: William W. Jack, Clerk  
Bearton County Court  
Bearton, W. Va.

Dear Mr. JACK

This will acknowledge receipt of your letter dated December 27, 1946, relative to the revision of your Levy Estimate (Budget) for the fiscal year 1946-47. You wish to make the following revisions: Decrease: Item 28, Courthouse expense, \$400.00; Item 28, Furniture and Fixtures, \$1,000; Item 29, Telephone and Telegraphs, \$300; Item 44, Laundry, \$500; Increase: Item 2, Deputy Clerk County Court, Assistants and Employees, \$1,200; Item 3, Deputy Sheriff, Assistants and Employees \$1,200.

Under the provisions of Chapter 11, Article 8, Sections 128, 24 and 24a, of the West Virginia Code, as amended, the Tax Commissioner may authorize the revision of the annual approved Levy Estimate 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 Bearton County Court for the fiscal year ending June 30, 1947.

Very truly yours,  
Paisfax Brown, Director  
Assessment and Taxes.

// The following claims were issued:-----General County Fund

700	Hill & McCoskey	Phone Flex Recording and average	\$4.22
701	Jack Insurance Agency	Premium on Bonds	\$25.00
702	Charles W. Clayton	Billsage	17.25
703	William W. Jack	Postage	14.38
704	Emory L. Hollams	Billsage	81.00
705	Kyer Insurance Agency	Insurance Premium	123.00
706	Bearton Co. Health Dept.	Transfer of Funds	4.00
707	Eugene Pezzaro	Per Diem 12/18 & 23, 1946	4.00
708	Herbert Moore	Per Diem " " " "	4.00
709	Scotty Green	Per Diem " " " "	4.00



of the proposed public service district.

Wherefore, and being proper so to do, it is hereby ordered, in the 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 3rd day of July, 1967, 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 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 MERRAL MACE.

TO

O R D E R

WANDA DUFFIELD, CHILD AND  
HEIR AT LAW OF JOHN MERRAL  
MACE, DECEDENT.

This day came the Petitioner, WANDA DUFFIELD, by her counsel, JENNIFER J. JONES, and presented her Petition, and served 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 MERRAL MACE, who is now deceased, and he died intestate on the 28th day of April, 1966, and there being no objections to said action, and the Court being of the opinion that said action should be granted, it is, therefore, ORDERED, that said property now listed in the name of MERRAL MACE 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 MERRAL MACE, namely: 78 acres, 50 acres, 22.1 acres, 1 acre, 15 acres, 36.4 acres, 6.3 acres, 33.33 acres, 23.73 acres and 65.3 acres; and an undivided one-half (1/2) interest now listed in said Land Books in the name of MARY HICKS and MERRAL MACE, a tract of 37.35 acres; and an undivided one-half (1/2) interest in six (6) certain tracts or parcels of land conveyed to MERRAL MACE by FRANK E. SHAW, vice, by deed dated November 18, 1945, and of record in the Office of the Clerk of the County Court of said Braxton County, in Deed Book No. 249, at Page 702, all six tracts being as follows: 2.3 acres, 65.3 acres, 14 acres, and 18 acres; and all of said real estate being situate on the waters of Buffalo, in Otter District, Braxton County, West Virginia.

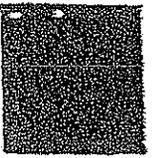
The reason for the transfer being that JOHN MERRAL MACE, deceased, died intestate, leaving surviving his one child and heir at law, the Petitioner herein, WANDA DUFFIELD, who

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. 13 at page No. 43

Given under my hand and the seal of said Commission this 29th day of October  
1990

  
Clerk  
Braxton County, West Virginia

BRAXTON COUNTY, WEST VIRGINIA



JULY 1, 1947

The County Court met pursuant to their last meeting of June 7, 1947  
Present, Vernon Moore, President, Aubrey Robertson and J. D. Marble, 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 requesting the distribution of same to all residents of Braxton County.

// The County Court requested the County Clerk DeForest directed to request funds from  
the State (C.D.) to print and mail the community shelter plan.

// The County Court requested that the books in the Courthouse be left open so  
that the public could see the 1947 records.

// On July 1, 1947, at a regular meeting of the County, Herman H. Prater, 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 Herman H. Prater as such member of said district, the said Herman H. Prater  
having been appointed for a term of six (6) years starting on January 1, 1946.

The resignation of Herman H. Prater is hereby accepted and this Court hereby appointed  
Garnett James to serve for the unexpired term of Herman H. Prater as member of the board of  
the Sugar Creek Public Service District, said term to expire on January 1, 1952, 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, 1947.  
The said Garnett James qualified.

//  
IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA  
IN THE MATTER OF THE CREATION OF  
PLAYBOY PUBLIC SERVICE DISTRICT.

WHEREAS, on the 5th day of June, 1947, one J. J. James, Attorney at Law, and  
pursuant to a petition of approximately and numbered two, (119), legal voters resident within  
the limits of the proposed Playboys 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 present or to be, this Court on the 5th day of June, 1947, unanimously  
sustained said motion, and also on its own motion, ordering 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 Weston, in the Courthouse of Braxton County,  
West Virginia, on the 5th day of July, 1947, 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 such proposed public service district, for or against its creation, and it shall be the duty of this Court to consider and determine the feasibility of the creation of the proposed public service district and shall determine whether or not the construction or acquisition or purchase of structures, and installations, operations, improvements, and extension of public service properties by such public service district will be conducive in the preservation of public health, comfort and convenience of such area; and,

WHEREAS, the Clerk of this Court caused to have published in the Greenbrier Democrat in the issues of June 12th and 12th, 1907, the following notice, to-wit:

**NOTICE OF PUBLIC HEARING  
FOR CREATION OF PLATWOODS  
PUBLIC SERVICE DISTRICT**

**NOTICE TO ALL PERSONS RESIDING  
IN OR OWNING OR HOLDING ANY  
INTEREST IN PROPERTY IN THE  
PROPOSED PLATWOODS PUBLIC  
SERVICE DISTRICT:**

You are hereby notified that pursuant to an order entered on the 6th day of June, 1907, by the County Court of Boone County, West Virginia, the County Court of Boone County, West Virginia will hold a public hearing in the Courtroom at Jackson, in Boone County, West Virginia, starting at 10:30 o'clock, A. M. on the 10th day of July, 1907, 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 construction or acquisition or purchase or otherwise, and installation, 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 6th day of June, 1907 of approximately one hundred (100), legal voters residing 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 those of the magisterial districts of Holly, Deer and Salt Lick, in Boone 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 Grassy's Creek, and tributaries of Salt Lick Creek and extending on each side of Grassy's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, paralleling R. R. Route No. 17, a distance of two miles and terminating and ending north of the village of Amos in Salt Lick District.

Given under my hand this 6th day of June, 1907.

William S. Jagg,  
Clerk of the County Court of  
Boone County, West Virginia

On June 15-22nd, 1907.

WHEREAS, this Court convened on this the 10th day of July, 1907, 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 Platwoods 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 in the preservation of public health, comfort and convenience of such area; and,

district.

This Court on its own motion, and also 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 Otter and Salt Lick, in Grant County, West Virginia, commencing at the Town of Sutton immediately adjacent to the river in said Town of Sutton presently serviced by the West Virginia Water Service Company the center line to an arroyo's Creek and tributaries of Salt Lick Creek, and extending on each side of Geshay's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, including V. S. Route No. 14, a distance of ten miles and terminating one mile north of the village of Nevers in Salt Lick District; that said Flatwoods Public Service District shall have all such powers as are provided by the statute and laws of the State of West Virginia as made and provided therefor and that said Flatwoods Public Service District, in compliance with Chapter 10, Article 13-A, Section 7 Michie's code formerly serial section 1004 (28 U), and with the laws of this State, shall be found the date thereof a public corporation and political organization of the State of West Virginia with power of perpetual succession.

//

IN THE COUNTY COURT OF GRANT COUNTY, WEST VIRGINIA  
IN THE MATTER OF THE CREATION OF  
FLATWOODS PUBLIC SERVICE DISTRICT,

On the 26th day of July, 1947, at one of the regular sessions, and after this Court had by a prior order this day created the Flatwoods Public Service 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.

Whereupon, the persons present unanimously recommended that L. W. O'Neill of Nevers, W. Va., Max J. Leonard 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'Neill, Max J. Leonard and Charles E. Lloyd, be, and hereby are, appointed board members of the Flatwoods Public Service District, and that L. W. O'Neill shall serve for a term of two years, that Max J. Leonard 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 on the 1st day of January, 1947 for their respective terms of office; and that said three members shall meet at the office of the County Clerk of Grant County, West Virginia as soon as practicable after their 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 Helen Spear was charged on the Personal Property Books of said County for the year 1946, in Sutton Corporation, with one 1943 Pontiac Catalina four door automobile, valued at \$1100.00, and household furniture valued at \$200.00, when in fact on the 1st day of July, 1947, she should have been released and charged on the Personal Property Books of said County, in Sutton Corporation, with one 1937 Chevrolet two door automobile, valued at \$120.00, and household furniture valued at \$200.00. It further appearing to the Court that said Personal Property by reason of the improper assessment of said automobile should the said Helen Spear to pay the sum of \$12.00 per-

RESOLUTION AUTHORIZING THE COUNTY OF BRAXTON, WEST VIRGINIA, TO PARTICIPATE IN A PLANNING ASSISTANCE PROGRAM UNDER 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 OF 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 up 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 herein first budgeted for such purposes the sum of Ten Thousand Eight Hundred and No/100 (12,800.00) 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 intention to budget for and provide the balance of its costs of such planning program during July of the fiscal year(s) 1965 - 1966, and 1966 - 1970, being (approximately) of Two Thousand Eight Hundred and No/100 (2,800.00) Dollars each.

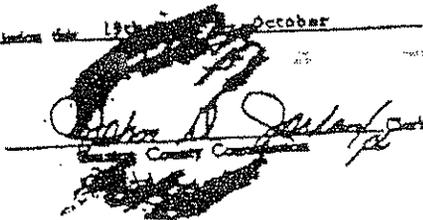
// It appearing to the Court there will not be sufficient money in the County Fund with which to pay all claims presented for the fund of money. It is ordered that the clerk of this court immediately pay from said fund the sum in full of each separate claim stated in each separate claim, and that he preserve all claims for the fund of money and pay the same from the residue of the money in the County fund as of the 31st day of July, 1965, thereby expending said entire residue.

STATE OF WEST VIRGINIA  
Braxton County, W.V.

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. 420

Given under my hand and the seal of said Commission this 19th day of October

1965

  
John D. Jordan  
County Commission

*Local Order Book No. 151 Page 227*

3024	Braxton Democrat	Printing	275 00
3025	Robertson Funeral Home	Funeral Service	12 00
//	The following Claims was issued-----Dog Fund		
3025	Cecil Teas	Dog Garden Expense	00 00
//	The following Claims were issued-----Justice Fund		
310	Heaton Co. Cl. Gen. County Fund	Transfer of Funds	275 00
311	M. O. Given	Justice	120 50

The Court adjourned to meet December 16 with the Civil Defense.

*H. T. Moore*

DECEMBER 16, 1947

The County met pursuant to their last meeting of December 3, 1947. Present Herbert Moore, President, Aubrey Robertson and E. D. Harpie, Commissioners.

The Court met with the Civil Defense Organization for training.

The Court adjourned to meet January 2, 1948.

*Herbert Moore* President

JANUARY 2, 1948

The County Court met pursuant to their last meeting of December 16, 1947. Present, Herbert Moore, President and E. D. Harpie, 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, Mr. John and Mr. and Mrs. William Hopkins appeared before the Court requesting funds for Sutton and Cassaway libraries. They agreed to come back at the February meeting when the Court would know more about their funds.

Dec. 27, 1947  
Burnsville, W. Va.

Commissioners of the County Court of Braxton County, West Virginia,

Dear Sirs:

Due to the fact that there is no longer a local Justice of Peace for we is were  
in Chestnut, I hereby commit the jurisdiction of the ...

and ask that you release the company who has furnished no bond in this capacity and  
like no resign effective January 1, 1948

Please notify Eugene "Doc" Collins, Box 121, Glenville, West Virginia the agent of  
Ohio Farmers Insurance Company of the release of said bond as of Jan. 1, 1948

Yours respectfully,

E. C. Keater.

The County Court accepted the resignation of E. C. Keater as constable of said  
District.

Mr. Keater's bonding company is hereby relieved of any further liability as of said  
date.

// The County Court appointing Earl Macpherson Esq. and Nottingham four years term as  
Hospital Trustees. W. K. Harrie and George Floney have two years yet to serve. In the  
President of the County Court is the fifth member.

The appointment of the two new trustees will be effective February 12, 1948

// The Braxton County Court will receive bids on in February 7, 1948, 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 \$2,000.00. 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 per day of instruction, \$10.00 a day for sitting, .15c for each new name,  
.00c checks on bank for all names, .07c mileage to and from meeting and returning home,  
.07c mile to and from meeting for instructions and returning home and to exceed 15.00  
allowance for any one day.

// IN THE MATTER OF SUGAR CREEK PUBLIC SERVICE DISTRICT

It appearing to the Court that John W. Harrie was appointed a member of the Sugar  
Creek Public Service District on the 13th day of March, 1946, 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. Harrie be, and hereby is, appointed as a Board Member of the Sugar Creek Public Service  
District; and that John W. Harrie shall serve for a term of six (6) years starting from this  
date, January 3, 1948, and shall serve until January 1954, or until a successor is appointed  
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 PLATWOODS PUBLIC SERVICE DISTRICT  
AND CANOE RUN PUBLIC SERVICE DISTRICT.

It appearing necessary, feasible and proper to consolidate the Platwoods 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 Platwoods 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 E. Lively, 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 know as the "PLATWOODS-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 two years, and that Charles E. Lively shall serve for a term of two years as members of said Platwoods-Canoe Run Public Service District, all terms of office starting as of the first day of January, 1948, 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 practically after said 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 Platwoods-Canoe Run Public Service District and the board members heretofore appointed by this Court in each of the two former public service districts, the Platwoods 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 now 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  
MABLE LLOYD

TO

MARY L. BLAW,  
MABLE L. JOHNSON,  
J. H. LLOYD,  
ELIA H. HOLCOMB,  
CHARLES H. LLOYD and  
WELSH GEAR

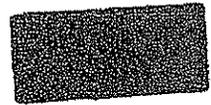
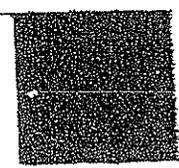
This day came the Petitioners, MARY L. BLAW, MABLE L. JOHNSON, J. H. LLOYD, ELIA H. HOLCOMB, CHARLES H. LLOYD, and WELSH GEAR, by their Counsel, J. J. Jones, and presented their Petition, and asked this Court to list and show in the Land Books of Braxton County, West Virginia, the proper and correct undivided interest of each of these Petitioners in the real estate, being the Coal, Oil and Gas, now listed in the names of C. B. Lloyd and Mable Lloyd, who are now both deceased, and who both died intestate and there being no objection to said action, and the Court being of the opinion that said action should be granted, it is therefore, ORDERED that said property now listed in the names of C. B. Lloyd and Mable Lloyd in said Braxton County be hereafter listed in the names of these Petitioners in respect to their respective undivided interests 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 as General Order Book No. 13 at page No. 447

Given under my hand and the seal of said Commission this 28th day of May  
1930

  
John J. Jordan Clerk  
Braxton County, West Virginia

QUALITY PRINTING CO., BOSTON, MASS. - REGISTERED MAIL PERMIT NO. 14



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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 7:50 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 of 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-Carroll Run Public Service District shall be confined within Braxton County, West Virginia."

Entered this 15th day of March, 1965.

THE COUNTY COMMISSION OF BRAXTON COUNTY,  
WEST VIRGINIA.

By: James R. Frame  
James R. Frame, Its President  
Charles E. Wine  
Charles E. Wine, One of Its Members  
Ledra Argabrite  
Ledra Argabrite, One of Its Members

IN THE MATTER OF THE ENLARGEMENT OF THE  
FLATWOODS-CANOE RUN PUBLIC SERVICE  
DISTRICT.

WHEREAS, on the 15th 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 DEEMED 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, on Thursday, the 15th day of April, 1933, 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 areas.

WHEREAS, the Clerk of this Commission caused to be published in Braxton Citizens News in the issue of March 23, 1933, the following notice, to-wit:

NOTICE OF PUBLIC HEARING  
TO ENLARGE THE FLATWOODS-  
CANOE RUN PUBLIC SERVICE  
DISTRICT.

All persons residing in, owning or having any interest in property within the Magisterial District of Kelly, 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 14, 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, 1933, proposed to enlarge the present Flatwoods-Canoe Run Public Service District as follows and be as follows:

"All of the Magisterial District of Kelly; 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 included within Braxton County, West Virginia." and that an Order has been entered by said County Commission fixing Thursday, April 11, 1933, at 7:30 o'clock, P. M., in the Braxton County Courtroom, at the Braxton County, West Virginia, in the Braxton County Courtroom, at 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 hearing you may attend if you so desire.

This the 15th day of March, 1933.

David L. Jack  
David L. JACK, Clerk of the  
Commission of Braxton County, W.  
Virginia. (3-114)"

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, 1933 at 7:30 o'clock, P. M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, at the Courtroom 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 areas;

WHEREAS, an oral protest was made by Charles Switzer, 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 the corporate limits and no further other than the Town of Burnsville;

but not limited to, the area to and including bridge, the area to Gilmer the area to and including Com, 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-Canoes 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 Switzer, then Mayor of the Town of Burnsville, which was later done on September 11, 1985, by Charles Switzer, representing the Town of Burnsville, and Jennifer S. Jones, representing the Flatwoods-Canoes Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with the "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 Orlande, 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 Com, as marked on said map, thence along with the right fork as marked on said map, as the backwaters of Wolf Pen Run, and following Route 1 from Com to Copan, as marked on said map, thence with Highway No. 273 to the Gilmer County line, and being at or near Telet Fork at the Gilmer County line; and the three members of the Commission voted unanimously to sustain said action 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-Canoes 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 to the boundary line between Braxton County and the Counties of Gilmer and Lewis, and thence starting in the Town or Village of Orlande, 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 on said map to the Village of Com, as marked on said map, thence along with the right fork as marked on said map, as the backwaters of Wolf Pen Run, and following Route 1 from Com to Copan, as marked on said map, thence with Highway No. 273 to the Gilmer County line, and being at or near Telet Fork at the Gilmer County line; which area shall be excluded from the Flatwoods-Canoes Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Canoes 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-Canoes Run Public Service District shall be confined within Braxton County, West Virginia." that said Flatwoods-Canoes 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 in the said District, and in the territory in this enlargement of said public service district.

Entered this 21st day of FEBRUARY, 1986

THE COUNTY COMMISSIONER OF BRAXTON COUNTY,  
WEST VIRGINIA

By: James E. Finner, Its President

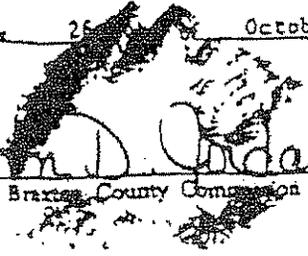
Louisa F. Wigg  
Louisa F. Wigg, One of Its Members

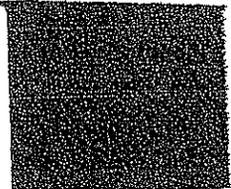
Lodra Argabrite  
Lodra Argabrite, One of Its Members

Braxton County, W

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 of October  
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John D. Jordan Clerk  
Braxton County Commission 155



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*Ord Book No 420/334*

Case 4200r 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, 1945, 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 23, 1945, the following Notice, namely:

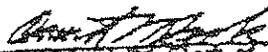
NOTICE OF PUBLIC HEARING  
TO ENLARGE THE FLATWOODS-  
CANOE RUN PUBLIC SERVICE  
DISTRICT.

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 Rainville, 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-Cane 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 Suttonville; 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-Cane 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. Jahn, 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 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-Crooke 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 areas; and,

WHEREAS, an oral protest was made by Charles Switzer, 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 Gosh, 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-Crooke 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 Switzer, then Mayor of the Town of Burnsville, which was later done on September 11, 1985, by Charles Switzer, representing the Town of Burnsville, and Jennifer J. Jones, representing the Flatwoods-Crooke Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with red

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 backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Petty'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 2 from Gem to Copan, as marked on said map, thence with Highway No. 1/3 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 action 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-Canoa Run Public Service District; that the territory to be embraced within said enlargement, within the said District, to include and to be as follows:

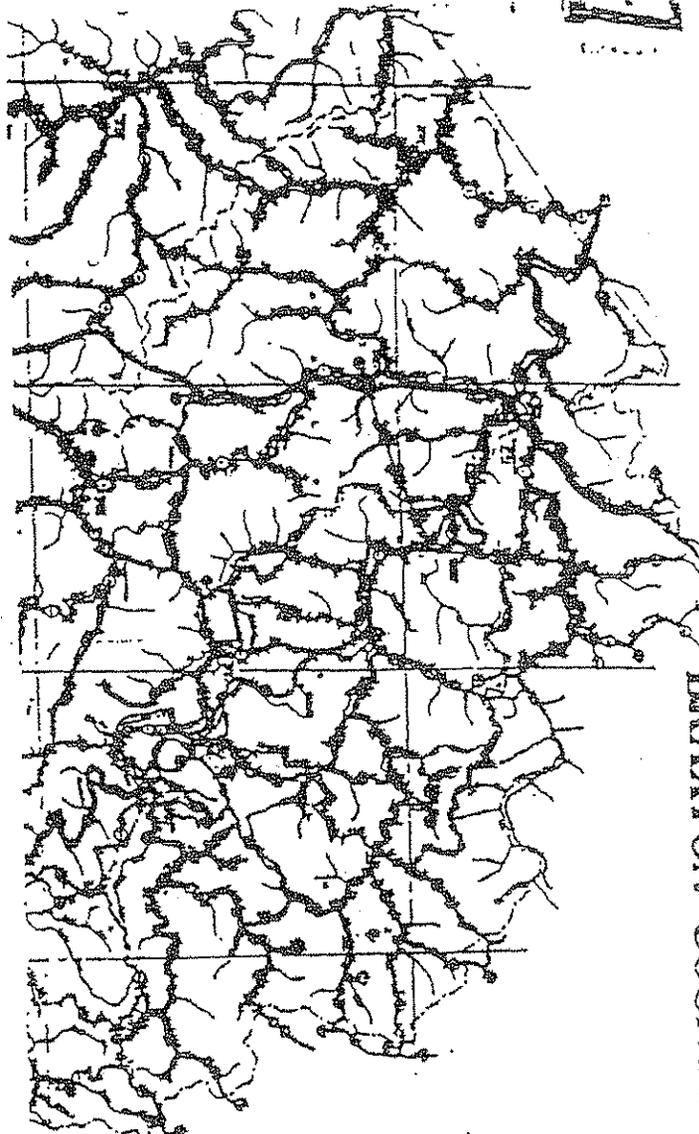
"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Burnsville Area as designated and marked on said map showing that portion of Braxton County, and the boundary lines of the Burnsville District shall be the boundary line between Braxton County and the 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 backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Petty'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 2 from Gem to Copan, as

marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Tolar Park at the Gilmer County line; which area shall be excluded from the Flatwoods-Cane Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Cane 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-Cane Run Public Service District shall be confined within Braxton County, West Virginia." that said Flatwoods-Cane 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 7<sup>th</sup> day of February, 1944.

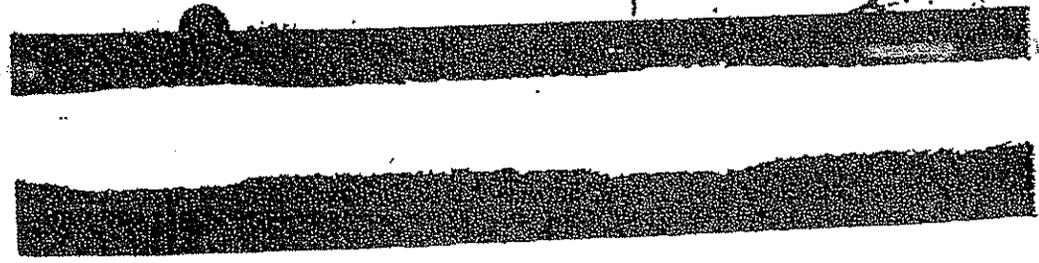
THE COUNTY COMMISSION OF BRAXTON COUNTY,  
WEST VIRGINIA

By: James P. Frank  
James P. Frank, its President  
Charles E. Mills  
Charles E. Mills, one of its members  
John A. Reynolds  
John A. Reynolds, one of its members



BRAXTON COUNTY

STATE OF WEST VIRGINIA, SENATE COURT COMMISSIONER CHIEF'S OFFICE February 7, 1908  
 The foregoing plat of Braxton County, West Virginia, prepared with the extreme  
 accuracy, was this day presented to and then approved by me.  
 Commissioner David L. DeWolf





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, Jeniver 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 1965 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

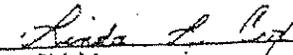
District, the consolidation of Canoe Run Public Service District and Flatwoods Public Service District as one public service district known as Flatwoods-Canoe Run Public Service District and the enlargement of Flatwoods-Canoe Run Public Service District were posted and/or published in accordance with such requirements of law.

Given under my hand this 14th day of November, 1990.

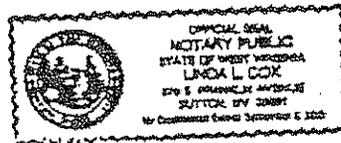
  
Jennifer J. Jones

Taken, subscribed and sworn to before me this 14th day of November, 1990.

My commission expires: September 3, 2001

  
Notary Public

11/13/90  
FCRB.GCJ  
29212/88002



AT THE REGULAR MEETING OF THE  
COMMON COUNCIL OF THE TOWN OF  
SUTTON, WEST VIRGINIA, HELD ON  
THURSDAY, JANUARY 23, 1968, 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-Canoë 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-Canoë 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, I. W. Stoneking  
J. D. Cozar,  
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, T. E. C. C. C. C., 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:

T. E. C. C. C. C.  
Its Recorder

AT THE REGULAR MEETING OF THE  
COMMON COUNCIL OF THE TOWN OF  
GASSAWAY, WEST VIRGINIA, HELD  
ON THURSDAY, JANUARY 23, 1968,  
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-Canoa 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-Canoa 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 Cassaway,  
Sarah S. Hopkins, Recorder of the Town of Cassaway,  
and Howard Heckler, Harry F. Kvar  
Olen Lively, Jack R. Phillips  
and \_\_\_\_\_, members of the Commoc

Council of the Town of Cassaway; 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 Cassaway, hereby certify that the foregoing Resolution was duly adopted by unanimous affirmative vote of the members of the Common Council of the Town of Cassaway, West Virginia, and the affirmative vote of said Mayor and Recorder of said Town of Cassaway, West Virginia, at a regular meeting held of said municipal council of the Town of Cassaway, on the 23rd day of January, 1969.

TOWN OF CASSAWAY

By: Sarah S Hopkins  
Its Recorder

*at such time as the Board of Supervisors*

MAY 29, 1947

At a Special Meeting of the County Court of Braxton County, West Virginia, on the 29th day of May, 1947, all members in attendance.

// Resolved that the Court accept the bid for the construction of the Braxton County Airport by Lenon Meadows Co. a corporation and Meadows Stone and Paving, a corporation, submitted December 22, 1946, which acceptance of bid is subject to the approval of the F. A. A. and further subject to the wage division dated February 2, 1947 and designated A. C. 1842.

// All members present voting in the affirmative said resolution is unanimously adopted.

// It is ordered that Court do now adjourn to meet June 3, 1947.

*Herbert Moore* President

JUNE 3, 1947

The County Court, pursuant to their last meeting of May 29, 1947, Present, Herbert Moore, President, Aubrey Knorrman and E. W. Harple,

Commissioners:

// The minutes of the last meeting were read and approved.

// All bills were approved as presented.

// The County Court allowed the Jailor, Paul Gelsmith, an additional \$30.00 per month salary.

// The Home National Bank of Yelton, W. Va. and the Bank of Cassaway, Cassaway, W. Va. were approved as County Depositories and their bonds were approved as to collectible form and amount and ordered recorded and filed.

// The County Court agreed to pay the Ortho Internating Co., Inc. for service a year at a time and receive a 2% discount.

// The Court approved the Sheriff's Delinquency List for Real Estate and Personal Property.

// The Clerk of this Court having on the 16th day of May, 1947, and during a recess of the regular term of this Court qualified Dix Stowle for appointment as Notary Public in and for the County of Braxton, and the said Dix Stowle 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  
PLATONIC PUBLIC SERVICE DISTRICT

On the 4th day of June, 1947, one Jamison J. Jones, Attorney at Law, and presented a Petition of approximately one hundred ten, (112), legal voters resident within the limits of the proposed Platonic 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

(Continued from minutes of June 1, 2007 meeting) (2)

352

On motion of Commissioner Jack, seconded by Commissioner Chapman, approved the appointment of James Konkel to the Flatwoods Canoe Run PSD Board of Directors to fulfill the term of James Rogers. The motion also was to advertise for the same position for the replacement of Johnnie James who had to resign as he is working out of state and is not able to attend the meetings.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the minutes of the May, 2007 Commission meetings.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved adjournment at 10:15 am until June 15, 2007 at 9:00 am.

SS: John D. Jordan  
John D. Jordan, Clerk  
Braxton County Commission

## BRAXTON COUNTY COMMISSION MEETING

JUNE 15, 2007

The Braxton County Commission convened in regular session on Friday, June 15, 2007 at 9:00 am with the following present: Teresa Frame, President; L. Michael Chapman and David L. Jack, Sr., Commissioners; John D. Jordan, Clerk; Edith Tichner; Allison Given, Citizens News; Joan Bias, Braxton Democrat; Fred Thompson, Derick Long, Robert Flint, Larry Emge, William C. Martin, Dan Dotson, Evelyn Post, John Tinney.

The meeting began with the Pledge of Allegiance.

Evelyn Post, representing Little Birch River waterline extension, appeared before the Commission to request the Commission approve the Dunn Engineering proposal for the extension of a waterline from Little Birch to new Route 19 in the amount of \$38,000. After discussion, on motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved signing the proposal and the money is to be paid out of the \$50,000 donated by the coal company for the project.

Larry Emge, Police Chief of the Town of Sutton, and Robert Flint appeared before the Commission and requested assistance in getting electrical power to the towns stage at the ball fields on Stonewall Street. Mr. Flint stated he had a preliminary estimate of \$10,000 to install the upgraded power. Commission President Frame stated she would contact the power company to get a firm estimate before they would consider the request.

Fred Thompson, OES Director, appeared before the Commission to give an update on the site preparation for the EMS/911 building. He explained that the contractor is willing to continue the site preparation at an hourly rate for his equipment and the cost would be approximately \$15,000 to \$20,000 in addition to the original \$10,000 allocated for the project due to the increase of acreage the county received. After discussion, on motion of Commissioner Jack, seconded by Commissioner Chapman, agreed to an additional \$10,000 for the project after which the Commission would reevaluate the progress.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved the short form settlements submitted by Tamera Facemire, Fiduciary Supervisor.

On motion of Commissioner Chapman, seconded by Commissioner Jack approved the erroneous assessments for John G. and Naomi R. Morrison as it should have been assessed as farm use.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the following Purchase Order:  
2204 - Inkcarts.com - 911 Mapping and Addressing - Printer Cartridge - \$ 284.00

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved accepting the private road name request of Westfall Drive, first road off Canoe Run Road, for a two week comment period.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved to advertise for interested persons to serve on the Airport Authority Board.

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## BRAXTON COUNTY COMMISSION MEETING

August 3, 2007

The Braxton County Commission convened in regular session on Friday, August 3, 2007 at 9:00 am with the following present: Teresa Frame, President; Michael Chapman, Commissioner; John D. Jordan, Clerk; Edith Tichner, Amber Kelly, Braxton Citizens News; Joan Bias, Braxton Democrat; Evelyn Post, Leigh Ann Singleton, Robert and Helen Traugh, William C. Martin.

The meeting began with the Pledge of Allegiance

Evelyn Post appeared before the Commission to request a donation of \$1,947.69 to purchase a fire hydrant to be placed near the new Senior Center being constructed. On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved her request and to be paid out of Coal Severance Fund.

Rob Hamil, Animal Control Officer, appeared before the Commission to discuss the contract with Central WV Animal Hospital for the spaying and neutering adoptable animals. No action was taken at this time pending further review of the contract by the Commission.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved the probate appointments for the month of July, 2007 as appointed by John D. Jordan, Clerk, in vacation of the regular term of court.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the list of erroneous assessments, exoneration refund requests and credit on taxes as submitted by Assessor Larry Clifton.

After discussion on the appointment to the FCR PSD Board a motion was made by Commissioner Chapman to appoint Lee Fisher to the Board and the motion died for lack of a second. Commissioner Chapman then made a motion to appoint Roy Huffman to the FCR PSD Board and this motion also died for lack of a second. Commissioner Jack then made a motion to appoint John Gibson to the FCR PSD Board, seconded by Commissioner Frame and the vote was as follows: For the motion, Commissioners Jack and Frame, against the motion, Commissioner Chapman.

On motion of Commissioner Jack, seconded by Commissioner Chapman, approved the elevating of Samantha K. Frame from part time status to full time status as a dispatcher for the E-911 Center. Commissioner Frame abstained from voting as Ms. Frame is her daughter.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved the signing of a Pro Office Grant in the amount of \$12,300 to place a deputy in the school system.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved upgrading the Law Enforcement cell telephones.

The agenda items purchasing a surplus truck for the Animal Control Office and upgrading of the electric at the Flint ball fields for the Little League and the Town of Sutton amphitheater was tabled until the next commission meeting.

Commission President Teresa Frame requested that the \$1,000 for JAKES program that was budgeted be released. She also discussed the funding for the Rosedale and Little Birch waterline extensions. She also informed the Commission and those in attendance the audit of the recycling center has been completed.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the minutes of the July, 2007 Commission meetings.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved adjournment at 9:50 am until August 17, 2007 at 9:00 am.

SS: John D. Jordan  
John D. Jordan, Clerk  
Braxton County Commission

## BRAXTON COUNTY COMMISSION MEETING

April 4, 2008

The Braxton County Commission convened in regular session on Friday, April 4, 2008 at 9:00 am with the following present: L. Michael Chapman, President; Teresa Frame and David L. Jack Sr., Commissioners; John D. Jordan, Clerk; Edith Tichner; Ed Given, Citizens News; Joan Bias, Braxton Democrat; Fred Thompson, Connie Harper, Kandy Dennison, William C. Martin, Danny Cogar.

The meeting began with the Pledge of Allegiance.

Connie Harper, of Erbacon Road, appeared before the Commission to discuss extending the waterline one half mile as a self help project. She state that seven to eight houses would be serviced by the extension. Commission President Chapman requested a cost estimate for the project. She informed him the information would be forthcoming. Commissioner Chapman then requested the Clerk to place the request on the April 18, 2008 agenda for discussion.

Kandy Dennison appeared before the Commission requesting them to declare the month of April as Sexual Assault and Child Abuse Awareness month. On motion of Commissioner Frame, seconded by Commissioner Chapman unanimously approved her request and signed the proclamation she presented.

William C. Martin, Prosecuting Attorney, appeared before the Commission to request permission to hire temporary assistant prosecutors, on an as needed basis, until a full time replacement could be found. On motion of Commissioner Frame, seconded by Commissioner Chapman, unanimously approved his request.

Danny Cogar appeared before the Commission to speak in favor of keeping a PRO. Officer in the high school and middle school. He had read where federal funding for the program had been cut and urged everyone to contact their federal representatives and push to have the funding reinstated.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the probate appointments for the month of March, 2008 as appointed by John D. Jordan, Clerk in vacation of the regular term of court.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the following Purchase Order request:  
2229 - Casto & Harris - Co. Clerk - Recording books - \$ 966.25

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the reappointment of Eldred Drake to the Flatwoods Canoe Run PSD for another term.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved signing a resolution designating the Braxton County Development Authority as the lead Economic Development Agency for Braxton County.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the refund of the purchase price and taxes in the amount of \$1,004.29 to Mike Ross, Inc. and Waco Oil & Gas. The oil and gas was an erroneous assessment.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved signing a Law Enforcement Mutual Assistance Agreement with Harrison County requested by Sheriff Howard Carpenter.

On motion of Commissioner Jack, seconded by Commissioner Frame, unanimously approved issuing a Hillbilly Express Proclamation protesting the effects of high diesel fuel cost.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved increasing the reimbursement mileage rate from forty five and one half cents to forty five cents.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved recessing at 10:10 am until April 15, 2008 at 9:00 am for a statutory meeting approving the levy.

SS: John D. Jordan  
John D. Jordan, Clerk  
Braxton County Commission

# OATH OF OFFICE

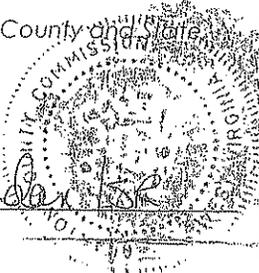
STATE OF WEST VIRGINIA,  
COUNTY OF BRAXTON, TO-WIT:

I, JAMES KONKEL, 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.

James H. Konkell  
Signature of Affiant

Subscribed and sworn to before me in my said County and State this 7th day of June, 2007.

John D. Jordan



JOHN D. JORDAN  
BRAXTON County 12:35:10 PM  
Instrument No 200701407  
Date Recorded 06/07/2007  
Document Type OOB  
Book-Page 3-156  
Rec/Preserve \$0.00 \$0.00

STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office 6/7/07  
The foregoing Oath of Office, together with the certificate of its acknowledgment, was this day presented in said office and admitted to record.

Teste: John D. Jordan

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 as Oath of Office

Book No 3 at page 156, as taken from the records  
Given under my hand this 2nd day of May, 2008

John D. Jordan  
COUNTY CLERK

# Oath Of Office

STATE OF WEST VIRGINIA

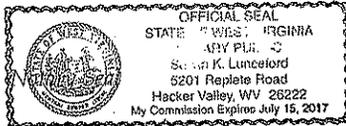
COUNTY OF BRAXTON, TO-WIT:

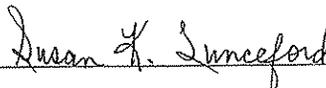
I, Eldred P. Drake, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Flatwoods-Canoe Run PSD Board Member to the best of my skill and judgment SO HELP ME GOD.

  
Signature of Affiant

Subscribed and sworn to before me in my said County and State this

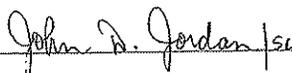
10th day of April, 2008





JOHN D. JORDAN  
BRAXTON County 01:14:17 PM  
Instrument No 200802262  
Date Recorded 04/10/2008  
Document Type OOI  
Book-Page 3-171  
Rec/Preserve \$0.00 \$0.00

STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office April 10, 2008  
The foregoing Oath Of Office, together with the certificate of its acknowledgment, was this day presented in said office and admitted to recorded.

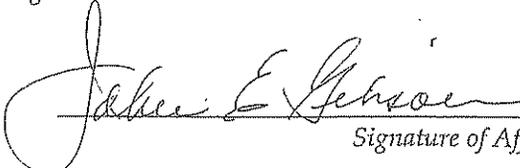
Teste: 

# Oath Of Office

STATE OF WEST VIRGINIA

COUNTY OF BRAXTON, TO-WIT:

I, John E. Gibson, 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 Flatwoods Canoe Run Public Service to District 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

20th day of August, 2007.



JOAN D JORDAN  
BRAXTON County 04:26:00 PM  
Instrument No 200703248  
Date Recorded 08/20/2007  
Document Type OGG  
Book-Page 3-165  
Rec/Preserve \$0.00 \$0.00

State of West Virginia.  
County of Braxton, to-wit:

The foregoing writing was acknowledged before me this the 20th day of August, 2007, by John E. Gibson.

My Commission Expires: July 15, 2017.

 Notary

STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office August 20, 2007  
The foregoing Oath Of Office, together with the certificate of its acknowledgment, was this day presented in said office and admitted to recorded.

Teste: John D. Jordan /sl

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 special 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

# FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

## BOARD MINUTES

January 16, 2007

2008

The January 16, 2007 regular meeting of the Flatwoods-Canoe Run Public Service District (FCRPSD) in the conference room at the District's Water Plant at the east end of Main Street, Sutton, West Virginia. The meeting was called to order at approximately 10:00 a.m.

### PRESENT:

Eldred Drake, FCRPSD Board Member  
James Konkel, FCRPSD Board Member  
John Gibson, FCRPSD Board Member  
H. Wyatt Hanna, III, Attorney for FCRPSD  
Todd Dingess, Smith, Cochran & Hicks  
Steven J. Sanders, FCRPSD General Manager  
Terri Frame, County Commissioner  
Fred Hypes, Dunn Engineering, Inc.  
Michael Gioulis

### Acknowledgement of those present:

The Chairman acknowledged those present.

### Public Comments:

Michael Gioulis presented his revised design of the remodeling of the Stewart building.

A motion was made by Commissioner Konkel and seconded by Commissioner Gibson to advertise for bids for the remodeling of the Stewart building when Mr. Gioulis is ready. Motion carried.

### Election of Officers:

A motion was made by Commissioner Gibson and seconded by Commissioner Konkel to elect Eldred Drake Chairman for the year 2008. Motion carried.

A motion was made by Commissioner Konkel and seconded by Commissioner Gibson to elect John Gibson Treasurer and James Konkel as Secretary. Motion carried.

### APPROVAL OF MINUTES:

A motion was made by Commissioner Gibson and seconded by Commissioner Konkel to approve the minutes of December 19, 2007. Motion carried.

### SEWER AGENDA:

#### Sewer Plant Upgrade:

The sewer plant upgrade was discussed by Fred Hypes.

A motion was made by Commissioner Konkel and seconded by Commissioner Gibson to advertise for proposals for engineering service for the CSO's. Motion carried.

**Approval of Bills:**

A motion was made by Commissioner Gibson and seconded by Commissioner Konkel to approve the payment of the sewer bills. Motion carried.

**WATER AGENDA:**

**Morrison Ridge/Poplar Ridge:**

Discussion was had on phase two of the Morrison Ridge and Poplar Ridge projects.

A motion was made by Commissioner Gibson and seconded by Commissioner Konkel for Fred Hypes to get permission from the infrastructure council to use some of the surplus money for telemetry. Motion carried.

**Water Plant Upgrade:**

The water treatment plant upgrade was discussed.

**Little Birch Waterline Extension:**

Fred Hypes discussed the Little Birch Waterline Extension.

**APPROVAL OF BILLS:**

A motion was made by Commissioner Gibson and seconded by Commissioner Konkel to approve the payment of bills. Motion carried.

**Review of 2007:**

Steve Sanders presented a review of the progress the District has had for the year 2007 and then discussed the projects for the new year of 2008.

**Holiday Schedule:**

The Holiday schedule for employees was discussed.

A motion was made by Commissioner Drake and seconded by Commissioner Konkel to accept the holiday schedule the County Commission has for the employees of FCRPSD, and to enter it as an amendment to the Employee's handbook. Motion carried.

**Payroll and Future Meetings:**

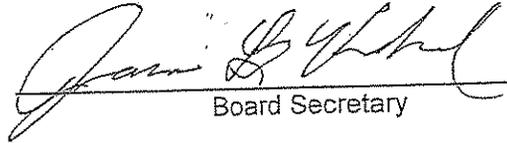
A motion was made by Commissioner Gibson and seconded by Commissioner Konkel to change the monthly meetings of FCRPSD to the 1<sup>st</sup> and 15<sup>th</sup> of each month and to authorize Wyatt Hanna to send a letter to the Department of Labor requesting permission to change payroll to the 15<sup>th</sup> and last day of the month. Motion carried.

**Adjournment:**

Commissioner Konkel made a motion seconded by Commissioner Drake to adjourn until January 30, 2008 at 10:00 a.m. Motion carried.



Board Chairman



Board Secretary

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A

EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTIONS,  
SUPPLEMENTAL RESOLUTIONS, 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:

\*\*\*

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The Public Service Board of Flatwoods-Canoe Run Public Service District met, pursuant to notice duly posted, on the 10th day of August, 2009, in Sutton, West Virginia.

PRESENT: Chairman – Eldred Drake  
Treasurer – John Gibson  
Secretary – Scott Ratliff

Eldred Drake, Chairman, presided, and Scott Ratliff, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED), OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$2,000,000, THE PROCEEDS OF WHICH SHALL BE EXPENDED TO FINANCE THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S EXISTING WATERWORKS TREATMENT AND DISTRIBUTION SYSTEM AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED

OWNERS OF SUCH BONDS; AUTHORIZING A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by John Gibson and seconded by Scott Ratliff, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman then presented a proposed Supplemental Parameters Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED) OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A COMMITMENT FOR MUNICIPAL BOND INSURANCE, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT, AND OTHER INSTRUMENTS RELATING TO THE BONDS APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

and caused the same to be read and there was discussion. Thereupon, upon motion duly made by John Gibson and seconded by Scott Ratliff, it was unanimously ordered that the said Supplemental Parameters Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by Scott Ratliff and seconded by John Konkle, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Chairman presented a proposed Supplemental Resolution for the authorization of extension of the Sewer BAN. Thereupon, on motion duly made by John

Gibson and seconded by Scott Ratliff, it was unanimously ordered that the said Resolution be adopted.

Next, the Chairman presented a an application to USDA for parity consent for the borrowing on the sewer project. Thereupon, on motion duly made by John Gibson and seconded by Scott Ratliff, it was unanimously ordered that the said application be approved.

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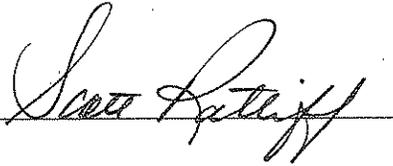
There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

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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.

Secretary

A handwritten signature in cursive script, appearing to read "Scott Pettiford", is written over a horizontal line.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A

EXCERPT OF MINUTES ON ADOPTION OF,  
SUPPLEMENTAL 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:

\*\*\*

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\*\*\*

The Public Service Board of Flatwoods-Canoe Run Public Service District met, pursuant to notice duly posted, on the 17th day of August, 2009, in Sutton, West Virginia.

PRESENT: Chairman – Eldred Drake  
Treasurer – John Gibson  
Secretary – Scott Ratliff

Eldred Drake, Chairman, presided, and Scott Ratliff, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman then presented a proposed Supplemental Parameters Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING  
PARAMETERS AS TO DATES, AMOUNTS,  
MATURITIES, INTEREST RATES, REDEMPTION  
PROVISIONS, PURCHASE PRICE AND OTHER  
DETAILS AS TO THE WATER REVENUE BONDS,  
SERIES 2009 A (BANK QUALIFIED) OF FLATWOODS-  
CANOE RUN PUBLIC SERVICE DISTRICT;  
AUTHORIZING AND APPROVING A BOND  
PURCHASE AGREEMENT, A COMMITMENT FOR  
MUNICIPAL BOND INSURANCE, A CONTINUING  
DISCLOSURE AGREEMENT, A REGISTRAR  
AGREEMENT, AN OFFICIAL STATEMENT, AND  
OTHER INSTRUMENTS RELATING TO THE BONDS  
APPOINTING A REGISTRAR, PAYING AGENT, AND

DEPOSITORY BANK; AND MAKING OTHER  
PROVISIONS AS TO THE BONDS

and caused the same to be read and there was discussion. Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said Supplemental Parameters Resolution be adopted and be in full force and effect on and from the date hereof.

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There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

[Remainder of Page Intentionally Blank]

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.

Secretary

A handwritten signature in cursive script, appearing to read "Scott Kelly", is written over a horizontal line.



**STEPTOE &  
JOHNSON**  
F L L C  
ATTORNEYS AT LAW

Chase Tower, Eighth Floor  
P.O. Box 1588  
Charleston, WV 25326-1588  
(304) 353-8000 (304) 353-8180 Fax  
www.steptoeh-johnson.com

Writer's Contact Information

August 21, 2009

**Flatwoods-Canoe Run Public Service District (West Virginia)  
Water Revenue Bonds, Series 2009 A (Bank Qualified)**

Flatwoods-Canoe Run Public Service District  
Sutton, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Flatwoods-Canoe Run Public Service District (West Virginia) (the "Issuer") of its \$2,175,000 in aggregate principal amount Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds").

The Series 2009 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on August 10, 2009, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on August 10, 2009 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2009 A Bonds are issued in fully registered form, are dated August 21, 2009, upon original issuance, mature on September 1, 2039 in years and amounts and bear interest payable each March 1 and September 1, commencing March 1, 2010, as follows:

<u>Bond No.</u>	<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
R-1	9/01/2019	\$335,000	5.250%	33886A AA5
R-2	9/01/2024	\$290,000	5.500%	33886A AB3
R-3	9/01/2029	\$380,000	5.500%	33886A AC1
R-4	9/01/2039	\$1,170,000	6.000%	33886A AD9

The Series 2009 A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Series 2009 A Bonds are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) funding the Series 2009 A Bonds Reserve account; (iii) capitalizing the interest due on the Series 2009 A Bonds to September 1, 2011; and (iv) paying the costs of issuance of the Series 2009 A Bonds.

The Series 2009 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated August 17, 2009, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and with certain certificates delivered in connection with the issuance of the Series 2009 A Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Agreement and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2009 A Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Agreement and has issued and delivered the Series 2009 A Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Series 2009 A Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2009 A Bonds (including original issue discount properly allocable to owners of the Series 2009 A Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. Ownership of tax-exempt obligations, including the Series 2009 A Bonds, may result in collateral federal

income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Series 2009 A Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2009 A Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Series 2009 A Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Series 2009 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2009 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2009 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2009 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2009 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2009 A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2009 A Bonds, to register any securities under said Securities Acts.

7. The Series 2009 A Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's: (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; (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; (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; (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; (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 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000, all in accordance with the terms of the Series 2009 A Bonds and the Resolution.

8. The Issuer has designated the Series 2009 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Series 2009 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2009 A Bonds, the Resolution, the Continuing Disclosure Agreement and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond Nos. R-1 through R-4 of said issue, and in our opinion, said Series 2009 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

  
STEPHEN L. JOHNSON PLLC

08.18.09  
292120.00004

*RESERVED*

*RESERVED*

LAW OFFICES

**GOODWIN & GOODWIN, LLP**

300 SUMMERS STREET, SUITE 1500  
CHARLESTON, WEST VIRGINIA 25301-678

P. O. Box 2107  
CHARLESTON, WEST VIRGINIA 25328-2107

TELEPHONE (304) 346-7000  
TELECOPIER (304) 344-9692

[www.goodwingoodwin.com](http://www.goodwingoodwin.com)

P.O. Box 349  
500 CHURCH STREET  
RIPLEY, WEST VIRGINIA 25271  
(304) 372-2651

201 THIRD STREET  
PARKERSBURG, WEST VIRGINIA 26101  
(304) 485-2345

August 21, 2009

Crews & Associates, Inc.  
Charleston, West Virginia

Re: \$2,175,000 Flatwoods-Canoe Run Public Service District  
Water Revenue Bonds, Series 2009 A (Bank Qualified)

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the Flatwoods-Canoe Run Public Service District (the "City") of its Water Revenue Bonds, Series 2009 A (Bank Qualified), in the aggregate principal amount of \$2,175,000 (the "Series 2009 A Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated August 17, 2009, the Bond Purchase Agreement dated August 17, 2009 (the "Purchase Agreement"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that you are not required to comply with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the District, counsel for the District, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendix B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2009 A Bonds.

Respectfully submitted,

  
GOODWIN & GOODWIN, LLP

H. Wyatt Hanna III  
Attorney at Law

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H. Wyatt Hanna, III

WV State Bar No. 1579

P. O. Box 8070 • South Charleston, West Virginia 25303  
(304) 744-3150 • Fax (304) 744-3157

August 21, 2009

Flatwoods-Canoe Run PSD  
Sutton, WV

Crews & Associates, Inc.  
Charleston, WV

Steptoe & Johnson PLLC  
Charleston, WV

RE: Flatwoods-Canoe Run Public Service District  
(West Virginia)  
Water Revenue Bonds, Series 2009 A (Bank  
Qualified)  
\$2,175,000

Ladies and Gentlemen:

I have acted as counsel for Flatwoods-Canoe Run Public Service District (the "District") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 2009 A Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of August 17, 2009 (the "Purchase Agreement") between Crews & Associates, Inc., (the "Underwriter") and the District. Any capitalized term used herein and not defined shall have the meaning assigned to it in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2009 A Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), the Resolution of the District relating to the Series 2009 A Bonds adopted on August 10, 2009, as supplemented by a Supplemental Parameters Resolution adopted August 10, 2009 (collectively, the "Resolution"), the Continuing Disclosure Agreement (the "Undertaking"), the Purchase Agreement, the Official Statement dated August 21, 2009, with respect to the issuance and offering of the Series 2009 A Bonds (collectively, the "Official Statement") and a closing certificate of the District. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The District is a public service district and a public corporation and political subdivision of the State of West Virginia. The District is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Resolution, the Undertaking and the Purchase Agreement.
2. The District has full power and authority to consummate all transactions contemplated by the Series 2009 A Bonds, the Purchase Agreement, the Undertaking and any and all other agreements relating thereto, to which the District is a party.
3. The District has duly authorized all action necessary to be taken by it or on its behalf for (I) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the District and the issuance and delivery of the Series 2009 A Bonds upon the terms set forth in the Resolution; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.
4. The Undertaking and the Purchase Agreement have been duly and validly authorized, executed and delivered by the District and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the District, enforceable against the District in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.
5. The Resolution has been duly adopted at meetings of the governing body (Board) of the District which were called and held pursuant to law and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the enactment of the Resolution.
6. The execution and delivery by the District of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the District or, to the best of my knowledge after diligent inquiry and review of the District's records, any agreement or other instrument to which the District is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the District have been taken, and no additional approval, authorization, consent or other order of the District or any public board or body is legally required to allow the District to enter into and perform its obligations under the Purchase Agreement or as described in the Official Statement.
8. The District is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the District.
9. There are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened by governmental authorities or to which the District is a party or of which any property of the District is subject, except as described in the Official Statement, which, if determined adversely to the District, would individually or in the aggregate (i) materially and adversely affect the validity or the enforceability of the Series 2009 A Bonds, the Undertaking or the Purchase Agreement, (ii) otherwise materially or adversely affect the ability of the District to comply with its obligations under the Purchase Agreement, or (iii) materially and adversely affect the transactions contemplated by the Official Statement to be engaged in by the District.
10. All approvals, consents, authorizations, resolutions and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the District of its obligations under the Resolution, the Series 2009 A bonds or the Purchase Agreement, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2009 A Bonds, as to which no opinion is hereby expressed.
11. The Resolution creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Series 2009 A Bonds as the same become due and for the other purposes provided in the Resolution, subject only to the provisions of the Resolution permitting application thereof on the terms and conditions set forth in the Resolution.

Page 4  
August 21, 2009

12. The statements and information contained in the Official Statement under the captions, "THE SYSTEM", "LITIGATION" and "CONTINUING DISCLOSURE" and Appendix A do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

I hereby consent to the references made to me in the Official Statement.

Very truly yours,

A handwritten signature in black ink that reads "H. Wyatt Hanna, III". The signature is written in a cursive style with a large, stylized "H" and "A".

H. Wyatt Hanna, III

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

Water Revenue Bonds, Series 2009 A (Bank Qualified)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. PUBLIC SERVICE COMMISSION APPROVAL
5. LAND AND RIGHTS OF WAY
6. CONTRACTORS' INSURANCE, ETC.
7. AWARD OF SERIES 2009 A BONDS; SIGNATURES
8. DELIVERY AND PAYMENT
9. CERTIFICATION OF DOCUMENTS
10. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
11. MEETINGS, ETC.
12. INCUMBENCY AND OFFICIAL NAME
13. RATES
14. OFFICIAL STATEMENT CERTIFICATION
15. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(iv) AND SECTION 6(c)(viii);
16. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
17. PRIVATE USE OF FACILITIES
18. NO FEDERAL GUARANTY
19. IRS INFORMATION RETURN
20. SPECIMEN SERIES 2009 A BONDS
21. RELIANCE OF BOND COUNSEL
22. USE OF SERIES 2009 A BOND PROCEEDS
23. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and SECRETARY of Flatwoods-Canoe Run Public Service District, West Virginia (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify, on this the 21st day of August, 2009, in connection with the \$2,175,000 aggregate principal amount of the Flatwoods-Canoe Run Public Service District (West Virginia) Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 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 meanings set forth in the bond resolution of the Issuer duly adopted August 10, 2009, as supplemented by a supplemental parameters resolution duly adopted August 10, 2009 (collectively, the "Bond Legislation"), and the Bond Purchase Agreement dated August 17, 2009 (the "Bond Purchase Agreement"), by and between the Issuer and the Underwriter.

2. NO. LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Series 2009 A Bonds, or the collection of the Net Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Series 2009 A Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2009 A Bonds, nor in any manner affecting the validity or enforceability of the Series 2009 A Bonds, the Bond Legislation, the Undertaking, Agreement or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Series 2009 A Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Chairman, Secretary and the members of the public service board of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Series 2009 A Bonds which are not set forth in the Official Statement relating to the Series 2009 A Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for acquisition and construction of the Project, operation of the System and issuance of the Series 2009 A Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. PUBLIC SERVICE COMMISSION APPROVAL: The Public Service Commission of West Virginia has approved the acquisition and construction of the Project and the issuance of the Series 2009 A Bonds by Recommended Decision dated December 11, 2008 which became a Final Order on December 31, 2008 in Case No. 08-0165-PWD-CN. The time for appeal of such Final Order has expired prior to the date hereof.

5. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and 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 Series 2009 A Bonds.

6. 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, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

7. AWARD OF SERIES 2009 A BONDS; SIGNATURES: The Series 2009 A Bonds were awarded to Crews & Associates, Inc. (the "Underwriter")

pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of \$2,086,252 (representing par value less an Underwriter's discount of \$38,062.50 and a net original issue discount of \$50,685.50). There is no accrued interest on the Series 2009 A Bonds.

As of the date hereof, the Series 2009 A Bonds were duly signed by the manual signature of the Chairman of the Issuer, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed thereon and attested by the manual signature of the Secretary of the Issuer.

8. DELIVERY AND PAYMENT: The undersigned Chairman did, on the date hereof, deliver to the Underwriter, the entire issue of the Series 2009 A Bonds, in various denominations and numbered R-1 to R-4, inclusive. At the time of delivery of the Series 2009 A Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefor as follows:

Par Amount	\$2,175,000.00
Less: Underwriter's Discount	(38,062.50)
Net Original Issue Discount	(50,685.50)
Total Purchase Price	<u>\$2,086,252.00</u>

9. CERTIFICATION OF DOCUMENTS: There are delivered herewith true, correct and complete copies of the following documents, all of which remain in full force and effect and have not been amended, modified, supplemented, rescinded or repealed unless changed by the terms of other documents listed below:

- Bond Resolution
- Supplemental Resolution
- Public Service Commission Orders
- County Commission Orders Relating to Creation 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 and Supplemental Resolution
- Official Statement
- Bond Purchase Agreement
- Continuing Disclosure Agreement

Consent of West Virginia Water Development Authority

Consent of United States Department of Agriculture

10. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:

There has been no adverse change in the financial condition of the Issuer or the System of the Issuer since August 21, 2009. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2009 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 (the "Series 2005 A Bonds"); and (vi) Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000 (the "Series 2007 A Bonds"). 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 2007 A Bonds are collectively referred to as the "Prior Bonds."

11. 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 Series 2009 A Bonds and/or operation of the System, including without limitation the imposition of rates and charges, were authorized or adopted at meetings of the public service board of the Issuer duly and regularly called and held pursuant to the rules of procedure of the public service board of the Issuer and all applicable statutes, including without limitation Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the public service board was present and acting at all times during all such meetings. All notices required to be posted or published were duly posted and published.

12. INCUMBENCY AND OFFICIAL NAME: The proper corporate

title of the Issuer is "Flatwoods-Canoe Run Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Braxton County and presently existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board, consisting of 3 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
John Gibson	August 3, 2007	June 30, 2013
Eldred Drake	April 4, 2008	June 30, 2014
Scott Ratliff	June 1, 2007	June 30, 2013

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2009 are as follows:

Chairman – Eldred Drake  
Treasurer – John Gibson  
Secretary – Scott Ratliff

The duly appointed and acting counsel to Issuer is Wyatt Hanna, III, Esquire of South Charleston, West Virginia.

13. RATES: The rates for the System, as approved by the Public Service Commission of West Virginia, by Recommended Decision entered on December 11, 2008 which became a Final Order on December 31, 2008, in Case No. 08-0165-PWD-CN, are in full force and effect.

14. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

15. CERTIFICATIONS UNDER BOND PURCHASE AGREEMENT SECTION 6(c)(iv) AND SECTION 6(c)(viii): In addition to the foregoing, the undersigned hereby certify, as of the date hereof, that: (i) the Issuer has duly performed all of its obligations to be performed at or prior to the Closing and that each of its representations and warranties contained in the Bond Purchase Agreement are true as of the Closing, (ii) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Series 2009 A Bonds, the Bond Legislation, the Undertaking, and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (iii) to our knowledge no litigation is pending, or to our knowledge threatened, to restrain or enjoin the issuance or sale of the Series 2009 A Bonds or in any way affecting any authority for or the validity of the Series 2009 A Bonds, the Bond Legislation or the Issuer's existence or powers or the Issuer's right to use the proceeds of the Series 2009 A Bonds as set forth herein, (iv) the execution, delivery, receipt and due performance of the Series 2009 A Bonds, the Bond Legislation, the Undertaking and the other agreements contemplated by the Bond Purchase Agreement and by the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on its part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which it

is subject or by which it is or may be bound, (v) the statements and information contained in the Official Statement under the captions, "THE SYSTEM," "LITIGATION" and "CONTINUING DISCLOSURE" and Appendix A do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, and (vi) the Issuer is obligated by the Undertaking established in the Continuing Disclosure Agreement and is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5).

16. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of UNITED BANK, INC., Charleston, West Virginia, as Registrar, the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent and Depository Bank, however, costs of issuance for the Series 2009 A Bonds will be deposited with Bank of Gassaway, Sutton, West Virginia.

17. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Series 2009 A Bonds and the interest thereon. Less than 10% of the proceeds of the Series 2009 A Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or 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. None of the proceeds of the Series 2009 A Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Series 2009 A Bonds, including the disproportionate related business use of the proceeds of the Series 2009 A Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or 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 with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Series 2009 A Bonds. None of the proceeds of the issue of the Series 2009 A Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

18. NO FEDERAL GUARANTY: The Series 2009 A Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

19. IRS INFORMATION RETURN: On the date hereof, the undersigned Chairman did officially sign a properly completed IRS Form 8038-G for the

Series 2009 A Bonds and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah. The information set forth in such Form 8038-G is true, correct and complete in all respects.

20. SPECIMEN SERIES 2009 A BONDS: Delivered concurrently herewith are true and accurate specimens of the Series 2009 A Bonds.

21. RELIANCE OF BOND COUNSEL: The undersigned acknowledge that it is intended that interest on the Series 2009 A Bonds be exempt from federal income tax in the hands of the owners thereof, that the firm of Steptoe & Johnson PLLC is rendering opinions on the date hereof to said effect and with respect to other matters, and that, in rendering said opinions, said firm is relying, among other things, upon the statements made herein. Said firm is entitled to rely upon such statements.

22. USE OF SERIES 2009 A BOND PROCEEDS: The proceeds of the Series 2009 A Bonds will be used to pay a portion of the costs of acquisition and construction of the Project, fund a reserve account for the Series 2009 A Bonds capitalize interest on the Series 2009 A Bonds, or to pay costs of issuance of the Series 2009 A Bonds and other costs in connection with the issuance of the Series 2009 A Bonds.

23. EXECUTION OF COUNTERPARTS: This Certificate may be executed in counterparts, and all counterparts shall be deemed to be the Certificate.

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WITNESS our signatures and the official corporate seal of the  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the day and year first  
written above.

[CORPORATE SEAL]

Signature

Official Title

*Eldred L. Drake*

Chairman

*Scott Lettice*

Secretary

\_\_\_\_\_

Attorney

292120.00004

WITNESS our signatures and the official corporate seal of the  
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the day and year first  
written above.

[CORPORATE SEAL]

Signature

Official Title

\_\_\_\_\_

Chairman

\_\_\_\_\_

Secretary

*H. W. Pitts A [initials]*

Attorney

292120.00004

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

Water Revenue Bonds, Series 2009 A (Bank Qualified)

TAX AND NON-ARBITRAGE CERTIFICATE

The undersigned, Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), on this 21st day of August, 2009, being the official of the Issuer duly charged with the responsibility for the issuance of the \$2,175,000 Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"), of the Issuer, dated August 21, 2009 (the "Series 2009 A Bonds"), hereby certifies as follows, all capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on August 10, 2009, as supplemented by Supplemental Resolution adopted by the Issuer on August 10, 2009 (collectively, the "Resolution"), pursuant to which the Series 2009 A Bonds are issued:

A. DEFINITIONS

The following words and phrases shall have the following meanings or such other meanings as may be required under the Code or the Regulations. Any capitalized word or term used herein but not defined herein shall have the meaning set forth in the Resolution.

"**Bona Fide Debt Service Fund**" shall mean a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the Series 2009 A Bonds for the immediately preceding Bond Year.

“**Bond Act**” means Article 13A of Chapter 16 of the Code of West Virginia of 1931, as amended.

“**Bond Counsel**” means the law firm or firms delivering its or their approving opinion or opinions with the respect to the issuance of the Series 2009 A Bonds and the exclusion of interest on the Series 2009 A Bonds from gross income for the purposes of federal income taxation.

“**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, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

“**Bond Yield**” means the yield of the Series 2009 A Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

“**Code**” means the Internal Revenue Code of 1986, as amended, and all rulings and regulations promulgated thereunder.

“**Computation Date**” means each Installment Computation Date and the Final Computation Date.

“**Computation Date Credit**” means \$1,000.00. Only one Computation Date Credit for each Computation Date is permitted for the Series 2009 A Bonds.

“**Costs of Issuance**” means all costs incurred in connection with the issuance of the Series 2009 A Bonds within the meaning of Section 147(g) of the Code. Examples of costs of issuance include (but are not limited to):

(a) underwriters’ spread (whether realized directly or derived through purchase of the Series 2009 A Bonds at a discount below the price at which a substantial number of Series 2009 A Bonds are sold to the public);

(b) counsel fees (including Bond Counsel, Underwriters’ Counsel, Issuer’s Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Series 2009 A Bonds);

(c) financial advisor fees incurred in connection with the issuance of the Series 2009 A Bonds;

(d) trustee fees and registrar fees;

(e) paying agent, disbursement agent, and certifying and authenticating agent fees related to issuance of the Series 2009 A Bonds;

(f) accountant fees related to issuance of the Series 2009 A Bonds;

(g) printing costs (for the Series 2009 A Bonds and of preliminary and final offering materials); and

(h) costs incurred in connection with any required public approval process (e.g., publication costs for public notices generally and costs of the public hearing or voter referendum).

“**Date of Issue**” means August 21, 2009.

“**Discharged**” means, with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

“**Fair Market Value**” of an Investment means as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm’s length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Safe Harbor for Establishing Fair Market Value for Guaranteed Investment Contracts and Investments Purchased for a Yield Restricted Defeasance Escrow. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and reserves at least three (3) bona fide bonds from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker’s fees);

(iii) The yield on the guaranteed investment contract (determined net of broker’s fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the governmental investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

(c) Safe Harbor for Establishing Fair Market Value for Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States; and (ii) the highest yield that is published or posted by the provider to be currently available on reasonably comparable certificates of deposit offered to the public.

**"Final Computation Date"** means the date on which the last Bond is Discharged.

**"Future Value"** means the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval. The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments

with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

$i$  = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

$n$  = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

“**Gross Proceeds**” means Proceeds and Replacement Proceeds of the Series 2009 A Bonds within the meaning of the Regulations.

“**Installment Computation Date**” means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

“**Investment**” means any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

“**Investment Proceeds**” means any amounts actually or constructively received from investing Proceeds of an issue of bonds.

“**IRS**” means the Internal Revenue Service.

“**Issue Price**” means \$2,175,000 being the initial offering price to the public at which price a substantial amount of the Series 2009 A Bonds is sold, and includes accrued interest on the Series 2009 A Bonds. For this purpose, ten percent (10%) is a substantial amount, and the term “the public” does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Series 2009 A Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Series 2009 A Bonds may not exceed their fair market value as of the sale date.

“**Net Sale Proceeds**” means Sale Proceeds less the amount of those Sale Proceeds invested in a reasonably required reserve or replacement fund under Section 148(d) of the Code and as part of a minor portion under Section 148(e) of the Code.

“**Nonpurpose Investment**” means any Investment that is not acquired to carry out the governmental purpose of an issue.

“**Payment**” means a payment as defined in Section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a payment as defined in Section 1.148-5(b) of the Regulations for purposes of computing the Yield on an Investment.

**“Present Value”** means the amount determined by using the following formula:

$$PV = \frac{FV(1+i)^n}{(1+i)^n}$$

where *i* equals the discount rate divided by the number of compounding intervals in a year and *n* equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

**“Present Value of an Investment”** shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Series 2009 A Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

**“Proceeds”** means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received that with respect to an Investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under Section 1.148-2(d) of the Regulations or Section 143(g) of the Code or to qualified administrative cost recoverable under Section 1.148-5(e).

**“Rebate Amount”** means, in respect of the Series 2009 A Bonds, the amount determined pursuant to the Code and Regulations in accordance with section E(1) hereof. Generally, under the Regulations, the rebate amount, as of any date, equals the excess of the Future Value of all Receipts with respect to Nonpurpose Investments allocated to the Gross Proceeds of the Series 2009 A Bonds over the Future Value of all the Payments with respect to such Nonpurpose Investments computed in accordance with the Regulations.

**“Rebate Analyst”** means the entity or person chosen by the Issuer in accordance with section E(3) hereof to determine the Rebate Amounts.

**“Rebate Payment Date”** means the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

**“Receipt”** means a receipt as defined in Section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in Section 1.148-5(b) of the Regulations for purposes of computing Yield on an Investment.

**“Regulation”** or **“Regulations”** means the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Series 2009 A Bonds.

**“Replacement Proceeds”** means amounts that are treated as replacement proceeds of an issue of bonds under Section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

**“Sale Proceeds”** means amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter’s discount and compensation and accrued interest other than pre-issuance accrued interest). Sale Proceeds also include, but are not limited to, amounts derived from the sale of a right that is associated with a Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

**“Tax-Exempt Bond”** means any tax-exempt bond within the meaning of Section 103 of the Code and Section 1.150-1 of the Regulations that is not investment property within the meaning of Section 148(b)(3) of the Code.

**“Transferred Proceeds”** means Proceeds of a prior issue of bonds that have ceased to be allocated to that prior issue and are treated as Proceeds of a refunding issue under Section 1.148-9 of the Regulations.

**“Transferred Proceeds of the Bonds”** means amounts that have ceased to be allocated to Prior Bonds and are treated as Transferred Proceeds of the Series 2009 A Bonds.

**“Underwriter”** means Crews & Associates, Inc., Little Rock, Arkansas.

**“Universal Cap”** means the maximum value of Nonpurpose Investments which may be allocated to the Series 2009 A Bonds under Section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Series 2009 A Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under Section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

**“Valuation Date”** means the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Series 2009 A Bonds thereunder must be determined under Section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior Bonds) and a refunding issue (i.e., the Series 2009 A Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

**“Value of a Bond”** means the value of a bond determined under Section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

(a) In the case of a plain par bond (within the meaning of Section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and

(b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

**“Value of an Investment”** means the value of an investment determined under Section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of Section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of Section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

**“Yield”** or **“yield”** means the yield computed under Section 1.148-4 of the Regulations for the Series 2009 A Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

**“Yield Restricted Investments”** means any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

## B. GENERAL

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the “Code”). I am an officer of the Issuer charged with the responsibility of issuing the Series 2009 A Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

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

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on August 21, 2009, the date on which the Series 2009 A Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. The Issuer has covenanted in the Resolution 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 2009 A Bonds which would cause the Series 2009 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2009 A Bonds) so that the interest on the Series 2009 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

6. The Series 2009 A Bonds were sold on August 21, 2009, to the Underwriter for a purchase price of \$2,086,252(par amount of \$2,175,000, less net original issue discount of \$50,685.50 and less underwriter's discount of \$38,062.50). There is no accrued thereon on the Series 2009 A Bonds.

7. The Series 2009 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the following purpose: (i) to finance the costs of acquisition and construction of certain additions, betterments and improvements to the existing waterworks system of the Issuer; (ii) to capitalize a portion of the interest on the Series 2009 A Bonds through September 1, 2011; (iii) to fund the Series 2009 A Bonds Reserve Account; and (iv) to pay costs of issuance and related costs.

8. [RESERVED]

9. The face amount of the Series 2009 A Bonds is \$2,175,000. The sources and uses of proceeds of the Series 2009 A Bonds is as follows:

Sources of Funds

Par Amount of Series 2009 A Bonds	\$2,175,000.00
LESS: Original Issue Discount	(\$50,685.50)
TOTAL	\$2,124,314.50

10. The proceeds of sale of the Series 2009 A Bonds will be applied as follows:

Uses of Funds

Deposit to Project Fund	\$1,649,582.00
Deposit to Debt Service Reserve Fund	\$161,762.50
Deposit to Capitalized Interest Fund	\$252,737.15
Deposit to Cost of Issuance Fund*	\$60,232.85

TOTAL

\$ 2,124,314.50

*\* Includes: Underwriter Discount, and Professional Fees Associated with the Issuance of the Series 2009 A Bond, but does not include Bond Counsel fee of \$30,000 which was deposited in the Project Fund.*

11. The Underwriter has stated, in its certificate, a copy of which is attached as EXHIBIT A - UNDERWRITER'S CERTIFICATE hereto (the "Underwriter's Certificate") that the Series 2009 A Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than the respective prices shown on the cover page of the Official Statement for the Series 2009 A Bonds. The yield on the Series 2009 A Bonds, as so computed, has been determined to be 6.0137668%, based on a "purchase price" equal to the Issue Price for the Series 2009 A Bonds (including accrued interest thereon).

C. THE SERIES 2009 A BONDS

1. The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Series 2009 A Bonds are detailed in the Series 2009 A Bonds.

2. Using the initial offering price of the Series 2009 A Bonds as the "purchase price" and taking into account accrued interest the yield on the Series 2009 A Bonds is computed by the Underwriter to be 6.0137668% (the "Bond Yield").

3. A Sinking Fund for the Series 2009 A Bonds is created under the Resolution. Monies deposited in the Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Series 2009 A Bonds. The Series 2009 A Bonds all bear interest at a fixed interest rate and the average maturity of the Series 2009 A Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Series 2009 A Bonds within each Bond Year. All monies held in the Sinking Fund will be used to pay debt service on the Series 2009 A Bonds. All Sale Proceeds of the Series 2009 A Bonds deposited in the Sinking Fund, if any, will constitute accrued interest on the Series 2009 A Bonds and will be applied to pay interest on the Series 2009 A Bonds on the first interest payment date, being June 1, 2009. The Sinking Fund qualifies as a Bona Fide Debt Service Fund and all monies in the Sinking Fund will be invested without restriction as to yield and are not subject to rebate.

4. A Reserve Account is created under the Resolution for the Series 2009 A Bonds in an aggregate amount equal to 100% of the Maximum Annual Debt Service on the Series 2009 A Bonds (the "Reserve Account Requirement"). The Reserve Account is being funded from the Series 2009 A Bonds proceeds in the amount of \$161,762.50. The Reserve Account Requirement is equal to the maximum annual principal and interest requirements of the Series 2009 A Bonds, is not in excess of 10% of the stated principal amount of the Series 2009 A Bonds and is not in excess of the maximum annual principal and interest requirements of the Series 2009 A Bonds. The monies in the Reserve Account will

be invested without restriction as to yield. All earnings on amounts deposited in the Reserve Accounts will, to the extent the yield thereon exceeds the yield on the Series 2009 A Bonds, be subject to rebate.

5. A Renewal and Replacement Fund is created under the Resolution, to be funded through monthly deposits of Revenues in an amount equal to 2 1/2% of the Gross Revenues of the System. Absent an Event of Default on the Series 2009 A Bonds, and depletion in full of the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Series 2009 A Bonds. Such monies will be invested without restriction as to yield and are not subject to rebate.

6. A Redemption Account for the Series 2009 A Bonds is created under the Resolution. In the event monies are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Series 2009 A Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

7. A Costs of Issuance Fund is created under the Resolution to be funded from proceeds of the Series 2009 A Bonds in the amount of \$60,232.85, to pay costs of issuance of the Series 2009 A Bonds. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate.

8. A Construction Fund is created under the Resolution to be funded only from remaining proceeds of the Series 2009 A Bonds to pay costs of the Project. All such amounts shall be fully expended within 3 years from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 3 years. All proceeds of the Series 2009 A Bonds designated for the Project will be expended within 3 years from the date of issuance thereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project financed by proceeds of the Series 2009 A Bonds will be sold or otherwise disposed of prior to the last maturity date of the Series 2009 A Bonds. None of the proceeds of the Series 2009 A Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

Except for the proceeds of the Series 2009 A Bonds designated for the Project, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Series 2009 A Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Series 2009 A Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Series 2009 A Bonds or to the governmental purpose of the Series 2009 A Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Series 2009 A Bonds were not used or to be used for that governmental purpose.

9. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay Debt Service on the Series 2009 A Bonds or which are pledged as collateral to secure repayment of Debt Service on the Series 2009 A Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Series 2009 A Bonds.

10. Accrued interest, if any, with respect to the Series 2009 A Bonds in an amount less than 6 month's interest on the Series 2009 A Bonds may be applied within one year from the date hereof toward the payment of interest first due on the Series 2009 A Bonds, as detailed in the Schedules. Pending such disbursement, such monies, if any, will be invested without restriction as to yield.

E. REBATE OF EXCESS ARBITRAGE

1. Rebate Fund; Calculation of Rebate Amount.

(a) Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Bond Yield, together with any income attributable to such excess. Except as provided below, and as previously set forth as excepted in Section D hereof, the Sinking Funds, the Reserve Accounts therein, the Costs of Issuance Fund and all other funds or accounts treated as containing Gross Proceeds are subject to this requirement.

(b) Pursuant to the Resolution, the Issuer has created the Rebate Fund to be held by the Depository Bank. On or before 45 days following each Computation Date, an amount shall be deposited into the Rebate Fund by the Issuer so that the balance held in the Rebate Fund shall equal the aggregate Rebate Amount due as of the Rebate Payment Date following such Computation Date. Monies so deposited shall be derived from the Issuer's own funds.

(c) To meet the rebate requirements of Section 148(f) of the Code, the Issuer (or the Rebate Analyst described in section E(3) hereof) agrees and covenants to take the following actions:

(i) For each investment of (i) amounts held in the Reserve Accounts, (ii) Transferred Proceeds of the Series 2009 A Bonds, and (iii) any other monies held by the Issuer which constitute Gross Proceeds, the Issuer shall record the purchase date of such investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its disposition date.

(ii) For each Installment Computation Date with respect to Rebate Amounts specified in paragraph (iii) below, the Issuer shall compute the Yield on the Series 2009 A Bonds as required by the Code and Regulations. If the Series 2009 A Bonds are redeemed prior to their

scheduled maturity, the Issuer agrees to seek the advice of Bond Counsel or other rebate expert to recompute the Yield on the Series 2009 A Bonds as required by the Regulations.

(iii) For each Computation Date, the Issuer shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above this section E(1)(c) that are allocable to Gross Proceeds of the Series 2009 A Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Series 2009 A Bonds, any unrealized gains or losses as of the date of retirement of the Series 2009 A Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Nonpurpose Investments that are allocable to Gross Proceeds of the Series 2009 A Bonds, the Issuer shall consider the allocation rules set forth in the Regulations, including the rules relating to the Universal Cap. In general, the Universal Cap represents the maximum value of Nonpurpose Investments that may be allocated to an issue of bonds and is determined by reference to the Value of all the outstanding bonds of the issue.

(v) For each Computation Date, the Issuer shall calculate for each Nonpurpose Investment described in paragraph (iii) above, an amount equal to the earnings which would have been received on such Nonpurpose Investment at an interest rate equal to the Yield on the Series 2009 A Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) In determining the amount of any rebate computed pursuant to this section, all earnings on any Bona Fide Debt Service Fund to the extent such earnings do not exceed \$100,000 in any Bond year shall not be taken into account.

(vii) For each Computation Date, the Issuer shall calculate the Rebate Amount (computed from the Issue Date of the Series 2009 A Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Series 2009 A Bonds, taking into account any computation credit allowed thereunder. In determining the Rebate Amount, the Issuer shall account for the amounts determined under paragraphs (iii), (iv), and (v) above.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Account, the Issuer shall immediately pay that amount, or cause that amount to be paid, into the Rebate Account.

2. Payment to United States. (a) Installment Computation Dates. Unless the Series 2009 A Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Series 2009 A Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Series 2009 A Bonds to each such Installment Computation Date).

(b) Final Computation Date. The Issuer shall pay to the United States, not later than sixty (60) days after the last outstanding Series 2009 A Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date (computed from the date of issuance of the Series 2009 A Bonds to the Final Computation Date).

(c) Mailing of Rebate Payment. Each Payment of an installment shall be mailed to the Internal Revenue Service Center, Internal Revenue Service Center, Ogden, Utah 84201-0027. Each payment shall be accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Series 2009 A Bond with the latest maturity.

(d) Excess Balance in Rebate Fund; Excess Rebate Payments. If on the Rebate Payment Date the balance on deposit in the Rebate Fund is in excess of the Rebate Amount attributable to the Series 2009 A Bonds, such excess may be withdrawn by the Issuer from the Rebate Fund. The Issuer may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States under any procedure that may be permitted by the Code or the Regulations.

(e) Recordkeeping. In connection with the rebate requirement, the Issuer shall maintain (or cause to be maintained) the following records:

(i) The Issuer shall record all amounts paid to the United States pursuant to section E(2) hereof.

(ii) The Issuer shall retain records of the rebate calculations until six years after the Final Computation Date.

(iii) The Issuer shall keep and record the data described in section E(1)(c) hereof pertaining to the investment of the proceeds of the Series 2009 A Bonds until six years after the Final Computation Date.

3. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

4. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Series 2009 A Bonds.

F. MISCELLANEOUS

1. The amount designated as "Cost of Issuance" of the Series 2009 A Bonds consists only of costs which are directly related to and necessary for the issuance of the Series 2009 A Bonds.

2. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah. The Form 8038-G attached hereto as EXHIBIT B - FORM 8038-G is, to the best of my knowledge, true and correct, and may be relied upon by Bond Counsel.

3. None of the proceeds of the Series 2009 A Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

4. The original proceeds of the Series 2009 A Bonds will not exceed the amount necessary for the purpose of the issue, except to the extent any such proceeds are required for rebate to the United States.

5. The Issuer shall use the proceeds of the Series 2009 A Bonds solely to fund a Reserve Account for the Series 2009 A Bonds; to pay the costs of acquisition and construction of the Project; and to pay costs of issuance thereof.

6. The Issuer shall not permit at any time or times any of the proceeds of the Series 2009 A Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2009 A Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Series 2009 A Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and the Treasury Regulations promulgated or to be promulgated thereunder.

7. The Series 2009 A Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

8. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Series 2009 A Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Series 2009 A Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

9. On each Valuation Date, the Issuer agrees to value the Universal Cap and the Nonpurpose Investments allocable to the Series 2009 A Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Series 2009 A Bonds as of a Valuation Date shall not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

11. [RESERVED]

11. No portion of the proceeds of the Series 2009 A Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Series 2009 A Bonds.

12. In connection with the Series 2009 A Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax and Arbitrage Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Series 2009 A Bonds or any contract securing the Series 2009 A Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer or related governmental agencies with any registered owner of the Series 2009 A Bonds.

13. The Series 2009 A Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

14. No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Series 2009 A Bonds or which will be paid directly or indirectly from proceeds of the sale of the Series 2009 A Bonds.

15. Gross Proceeds of the Series 2009 A Bonds, other than gross proceeds that are allocable to:

(A) the payment of the Costs of Issuance of the Series 2009 A Bonds;

(B) the payment of administrative costs allocable to carrying and repaying the Series 2009 A Bonds, or the reasonable investments of Proceeds of the Series 2009 A Bonds;

(C) amounts deposited in the Sinking Fund (including investment earnings thereon) to pay debt service on the Series 2009 A Bonds, if any; and

(D) qualified guarantee fees (within the meaning of the Regulations) for the Series 2009 A Bonds;

will not exceed 1% of the Sale Proceeds from the Series 2009 A Bonds.

16. The issuance of the Series 2009 A Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code and the Regulations thereunder.

17. The Issuer covenants to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009 A Bonds in order that the interest thereon be and continue to be excludable from gross income for federal income tax purposes.

18. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. 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, and take all other actions required of it in order to maintain the exclusion of interest on the Series 2009 A Bonds from gross income for federal income tax purposes.

19. The Issuer has retained the right to amend the Resolution authorizing the issuance of the Series 2009 A Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Series 2009 A Bonds from the gross income of the holders thereof.

20. The Issuer shall comply with all yield restrictions on Series 2009 A Bond proceeds as set forth in the Code.

21. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Series 2009 A Bonds and the interest thereon. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2009 A 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 the Resolution.

22. The Series 2009 A Bonds are a fixed yield issue. No interest or other amount payable on any of the Series 2009 A Bonds (other than in the event of an unanticipated contingency) is

determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

23. Under Section 1.148-2(b) of the Regulations, an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned Chairman of the Issuer hereby in good faith certifies that the representations and covenants set forth in this Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in Section 1.148-2(b) of the Regulations and are being delivered as part of the record of proceedings in connection with the issuance of the Series 2009 A Bonds.

24. Pursuant to Section 265(b)(3)(D)(ii) of the Code, the Series 2009 A Bonds shall be treated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code and shall be deemed so designated as the Series 2009 A Bonds and the issue of which they are a part satisfy the requirements set forth in Section 265(b)(3)(D)(ii) of the Code.

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. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Series 2009 A Bonds.

27. Notwithstanding any other provision hereof, any provision of this Tax and Arbitrage Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Series 2009 A Bonds from gross income of the recipients thereof for federal income tax purposes.

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

WITNESS my signature this 21st day of August, 2009.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By:   
Its: Chairman

292120.00004

CH4966656.1

EXHIBIT A

UNDERWRITER'S CERTIFICATE

[Included in Transcript as Document No. 21]

EXHIBIT B

IRS FORM 8038-G

[Included in Transcript as Document No. 32]

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

Water Revenue Bonds, Series 2009 A (Bank Qualified)

REGISTRAR'S CERTIFICATE

United Bank, Inc., Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Bonds"), hereby certifies as follows, all capitalized terms used herein to have the same meanings set forth in the Resolution of Flatwoods-Canoe Run Public Service District (the "Issuer") adopted August 10, 2009, as supplemented by Supplemental Resolution adopted by the Issuer on August 10, 2009 (collectively, the "Resolution"):

1. The Bank is a state banking corporation duly organized, validly existing, and in good standing under the laws of the United States of America, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Resolution and to serve in the capacity of Registrar under the Resolution.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Resolution, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Bonds for and on behalf of the Bank.

4. There have been filed with the Bank all of the documents listed in Section 3.12 of the Resolution; the Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Bonds have been deposited as required by the Resolution.

5. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Bonds.

[Remainder of Page Intentionally Blank]

WITNESS my signature on this 21st day of August, 2009.

United Bank, Inc.

By: *J. W. [Signature]* 510  
Its: Authorized Officer

08.14.08  
292120.00004

EXHIBIT A

SERIES 2009 A BOND TERMS

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)  
WATER REVENUE BONDS, SERIES 2009 A (BANK QUALIFIED)**

Mandatory Sinking Fund Redemption and Maturity

<u>Bond No.</u>	<u>Maturity Date or Sinking Fund (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
R-1	9/01/2019	\$335,000	5.250%	33886A AA5
R-2	9/01/2024	\$290,000	5.500%	33886A AB3
R-3	9/01/2029	\$380,000	5.500%	33886A AC1
R-4	9/01/2039	\$1,170,000	6.000%	33886A AD9

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2009 A (Bank Qualified)

UNDERWRITER'S CERTIFICATE

The undersigned Gregory B. Isaacs, Senior Managing Director of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies this 21st day of August, 2009 that:

(a) At least 10% of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated August 17, 2009, by and between Flatwoods-Canoe Run Public Service District (the "Issuer") and the Underwriter, at prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated August 17, 2009 relating to the Bonds. We have made a bona fide public offering of all Bonds at the public offering price.

(b) At least 10% of each maturity of the Bonds were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective prices shown on the cover of the Official Statement. At the time we agreed to purchase the Bonds based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement.

(c) The level of funding of the Series 2009 A Bonds Reserve Account established by the Resolution authorizing issuance of the Series 2009 A Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Series 2009 A Bonds at the interest rates and with the maturities established for the Series 2009 A Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Series 2009 A Bonds due to a temporary decrease in revenues or increase in operating expenses. The amount to be maintained in the Series 2009 A Bonds Reserve Account is equal to the lesser of (i) 10% of the original stated principal amount of the Series 2009 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 2009 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 2009 A Bonds.

(d) The weighted average maturity of the Series 2009 A Bonds is 19.849 years.

(e) The yield on the Series 2009 A Bonds is 6.0137668%.

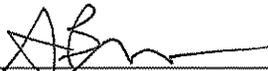
(f) The net interest cost on the Series 2009 A Bonds is 6.1277755%.

(g) This certificate may be relied upon by the Issuer with respect to completion of its Tax and Non-Arbitrage Certificate and IRS Form 8038-G relating to the Series 2009 A Bonds, and by Steptoe & Johnson PLLC in rendering their tax opinion with respect to the Series 2009 A Bonds.

[Remainder of Page Intentionally Left Blank]

Dated the day and year first written above.

CREWS & ASSOCIATES, INC.

By:  \_\_\_\_\_  
Its: Senior Managing Director

09.02.08  
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**Smith, Cochran & Hicks, P.L.L.C.**

**Certified Public Accountants**

Oak Hill Bridgeport Charleston Montgomery

405 Capitol Street • Suite 908 • Charleston, West Virginia 25301 • 304-345-1151 • Fax 304-346-6731

August 21, 2009

Flatwoods-Canoe Run Public Service District (West Virginia)  
Water Revenue Bonds, Series 2009 (Bank Qualified)

Flatwoods-Canoe Run Public Service District  
Sutton, West Virginia

United States Department of Agriculture  
Beckley, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges as set forth in the Recommended Decision dated December 11, 2008, which became final order on December 31, 2008 of the Public Service Commission of West Virginia, in Case No. 08-0165-PWD-CN, and the current operation and maintenance expenses and customer usage as furnished to us by Flatwoods-Canoe Run Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will (i) provide for all reasonable expenses of operation, repair and maintenance of the System, (ii) 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 2009 A and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2009 A Bonds, including the Issuer's (a) 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"); (b) 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"), (c) 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"), (d) 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"), (e) 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"), (f) 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"); and (g) Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000 (the "Series 2007 A Bonds") (collectively, the "Prior Bonds").

It is further our opinion that (i) the Net Revenues for the Fiscal Year following the year in which the Series 2009 Bonds are issued will not be less than 120% of the average annual debt service on the Series 2009 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 2009 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 2009 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 2009 Bonds and the Prior Bonds.

Additionally the respective Reserve Accounts for the Prior Bonds are funded in accordance with the Prior Resolutions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Smith Cochran & Hicks".

Smith, Cochran & Hicks, PLLC

NEW ISSUE

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2009 A Bonds (including any original issue discount properly allocable to any owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2009 A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purpose of computing the alternative minimum tax on corporations. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2009 A Bonds, and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" herein.

**\$2,175,000\***

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS  
SERIES 2009 A (BANK QUALIFIED)**

Dated: Date of Delivery

Due: September 1, as shown below

The Series 2009 A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Series 2009 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2009 A Bonds will be in book-entry form only. Semiannual interest on the Series 2009 A Bonds is payable beginning March 1, 2010, and each March 1 and September 1 thereafter. So long as the Series 2009 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2009 A Bonds will be made when due by the Municipal Bond Commission of West Virginia, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and any Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2009 A Bonds. See "THE SERIES 2009 A BONDS" and "BOOK-ENTRY ONLY SYSTEM." The Series 2009 A Bonds are subject to redemption prior to maturity as described herein.

The Series 2009 A Bonds are being issued, together with other funds available therefor, to: (i) provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2009 A Bond Reserve Account; (ii) provide funds for certain improvements to be made to the District's water system; (iii) provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2009 A Bond Sinking Fund to pay capitalized interest; and (iv) pay certain costs of issuance of the Series 2009 A Bonds and related costs.

The Series 2009 A Bonds are payable from and further secured by the Net Revenues derived from the existing water system of the District and any extensions, improvements and betterments thereto and from funds on deposit in the Series 2009 A Bonds Sinking Fund and the Reserve Account therein. The Series 2009 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal of, premium, if any, and interest on the Series 2009 A Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of, premium, if any, or interest on the Series 2009 A Bonds.

The District has designated the Series 2009 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES\***

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2009 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, as counsel to the District, will pass upon certain legal matters for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2009 A Bonds will be available for delivery in New York, New York, on or about August 21, 2009.

Dated: August \_\_, 2009



\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy. Nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of such jurisdiction.

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, WEST  
VIRGINIA**

**PUBLIC SERVICE BOARD**

Eldred Drake, Chairman  
Scott Ratliff, Secretary  
John Gibson, Treasurer  
Steven Sanders, General Manager

**BOND COUNSEL**

Steptoe & Johnson, PLLC  
Charleston, West Virginia

**ISSUER'S COUNSEL**

H. Wyatt Hanna, III  
South Charleston, West Virginia

**UNDERWRITER'S COUNSEL**

Goodwin & Goodwin, LLP  
Charleston, West Virginia

**CONSULTING ENGINEERS**

Bell Engineering  
Lexington, Kentucky

**REGULATORY ACCOUNTANT**

Smith, Cochran & Hicks, P.L.L.C.  
Charleston, West Virginia

**AUDITOR**

Bennett & Dobbins PLLC  
Fairmont, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
Little Rock, Arkansas

**DEPOSITORY BANK**

Bank of Gassaway  
Sutton, West Virginia

**REGISTRAR**

United Bank, Inc.  
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Flatwoods-Canoe Run Public Service District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from Flatwoods-Canoe Run Public Service District and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Flatwoods-Canoe Run Public Service District as it relates to the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**\$2,175,000\***  
**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**  
**WATER REVENUE BONDS**  
**SERIES 2009 A (BANK QUALIFIED)**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Flatwoods-Canoe Run Public Service District, West Virginia (the "District"), the District's water system hereinafter described and the District's \$2,175,000\* in aggregate principal amount of Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"). The Series 2009 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act"), and a resolution adopted by the Public Service Board of the District on August 10, 2009 (the "Resolution"), as supplemented and amended by any supplemental resolution adopted by the Board of the District pursuant to the Resolution (the "Supplemental Resolution", and together with the Resolution, the "Resolution").

The proceeds of the Series 2009 A Bonds, together with other funds available therefor, will be used as follows: (i) to provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2009 A Bonds Reserve Account; (ii) to provide funds for certain improvements to be made to the District's water system; (iii) to provide funds in the amount of \$\_\_\_\_\_ to be deposited in the Series 2009 A Bonds Sinking Fund to pay capitalized interest; and (iv) to pay certain costs of issuance of the Series 2009 A Bonds and related costs.

The Series 2009 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution and hereinafter, derived from the existing water system of the District and any extensions, improvements or betterments thereto (the "System") and from funds on deposit in the Sinking Fund and the Reserve Account therein. The Series 2009 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2009 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby so as to produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2009 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Series 2009 A Bonds. See "SECURITY FOR THE SERIES 2009 A BONDS - Rate Covenant."

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\*Preliminary, subject to change.

The Series 2009 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2009 A BONDS" herein. The Series 2009 A Bonds initially will be maintained under a book-entry system. So long as the Series 2009 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2009 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2009 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by the Paying Agent as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2009 A BONDS" herein.

For a description of the exclusion of interest on the Series 2009 A Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The District may issue additional bonds on parity with the Series 2009 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution (the Series 2009 A Bonds and any such additional parity bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2009 A BONDS - Additional Parity Bonds."

The Series 2009 A Bonds are offered when, as and if issued and received on behalf of the Underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, Counsel will pass upon certain legal matters for the District to the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2009 A Bonds, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2009 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution and other applicable documents may be obtained from the District or, during the period of offering the Series 2009 A Bonds, from the Underwriter.

## FINANCING PLAN

### Estimated Sources and Uses of Funds (excluding accrued interest)\*

Sources of Funds:	
Principal Amount of Series 2009 A Bonds	\$ 2,175,000.00
US Economic Development Authority Grant	2,695,500.00
Weyerhaeuser Corporation Contribution	<u>700,000.00</u>
Total Sources	\$ 5,570,500.00
Uses of Funds:	
Project Account	\$ _____
Series 2009 A Bonds Reserve Account	_____
Series 2009 A Bonds Sinking Fund	_____
Underwriter's Discount	_____
Costs of Issuance (1)	<u>20,000.00</u>
Total Uses	\$5,570,500.00

(1) Includes legal fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2009 A Bonds.

\_\_\_\_\_  
\*Preliminary, subject to change.

## THE SERIES 2009 A BONDS

### General

The Series 2009 A Bonds are dated and bear interest from August 15, 2009, upon original issuance. Any Series 2009 A Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof unless the date of authentication is an interest payment date on which interest on said Series 2009 A Bond shall have been paid in full or duly provided for, in which case said Series 2009 A Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2009 A Bond shall be in default, in which case any Series 2009 A Bond issued in exchange for a Series 2009 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2009 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing March 1, 2010, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2009 A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2009 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2009 A Bonds and payments of

principal of, redemption price, if any, and interest on the Series 2009 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2009 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2009 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of, premium, if any, and interest on the Series 2009 A Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2009 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2009 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2009 A Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2009 A Bond, there will be issued another Series 2009 A Bond or Series 2009 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2009 A Bond. For every exchange or transfer of Series 2009 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The District shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

#### Optional Redemption

The Series 2009 A Bonds maturing on or after September 1, 20\_\_, at the option of the District, will be subject to redemption prior to maturity on or after September 1, 20\_\_, as a whole or in part at any time, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

Period During Which Redeemed  
(both dates inclusive)

Redemption Date	Redemption Price
September 1, 20__ - August 31, 20__	___%
September 1, 20__ - August 31, 20__	___
September 1, 20__ and thereafter	___

If fewer than all of the Series 2009 A Bonds shall be called for optional redemption, the particular maturities of the Series 2009 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2009 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2009 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

## Notice of Redemption

So long as the Series 2009 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2009 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2009 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2009 A Bond with respect to which no such failure has occurred. After notice of redemption has been given in the manner hereinabove and in the Resolution described and moneys necessary therefor have been deposited, the Series 2009 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

### **BOOK-ENTRY ONLY SYSTEM**

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy thereof.

#### The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2009 A Bonds. The Series 2009 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2009 A Bonds will be issued for each maturity of the Series 2009 A Bonds in the principal amount equal to the aggregate principal amount of the Series 2009 A Bonds of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a

Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

#### Ownership of Series 2009 A Bonds

Purchases of the Series 2009 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 A Bonds on DTC's records. The ownership interest of the actual purchasers of each Series 2009 A Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participants through which the Beneficial Owners entered to the transaction. Transfers of ownership interests in the Series 2009 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 A Bonds except in the event that use of the book-entry system for the Series 2009 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2009 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2009 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the District as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2009 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2009 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2009 A Bonds. The District and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2009 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2009 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution.

Neither the District nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

#### Payments on and Redemption of Series 2009 A Bonds

So long as the Series 2009 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2009 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the District. Payment of principal and interest to DTC is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2009 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2009 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2009 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2009 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Resolution and will not be made by the District, the Registrar or the Paying Agent.

The District, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2009 A Bonds paid to DTC or its nominee as the registered owner of the Series 2009 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2009 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

## Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the District as a securities depository for the Series 2009 A Bonds and, in such event, the District may discontinue the maintenance of the Series 2009 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the District appoints a securities depository to replace DTC, the Series 2009 A Bonds held by DTC will be canceled, and the District will execute and the Registrar will authenticate and deliver Series 2009 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2009 A Bonds shown on the records of such Participant provided to the Registrar.

## SECURITY FOR THE SERIES 2009 A BONDS

The Series 2009 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2009 A Bonds except from said sources.

### Outstanding Prior Bonds

The District has outstanding the following bonds payable from the Net Revenues of the System that are on parity with the Series 2009 A Bonds, being (i) Water Revenue Bonds, Series 1996 A (United States Department of Agriculture), dated June 12, 1996, originally issued in the aggregate principal amount of \$240,000, of which \$232,234 is currently outstanding (the "Series 1996 A Bonds"); (ii) Water Refunding Revenue Bonds, Series 1996 B (United States Department of Agriculture), dated June 12, 1996, originally issued in the aggregate principal amount of \$70,000, of which \$67,707 is currently outstanding (the "Series 1996 B Bonds"); (iii) Water Revenue Bonds (West Virginia Infrastructure Fund), Series 1998 B, dated September 24, 1998, originally issued in the aggregate principal amount of \$890,000, of which \$862,263 is currently outstanding (the "Series 1998 B Bonds"); (iv) Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, originally issued in the aggregate principal amount of \$2,240,000, of which \$2,000,000 is currently outstanding (the "Series 2001 Bonds"); (v) Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated December 8, 2005, originally issued in the aggregate principal amount of \$5,085,825, of which \$4,819,899 is currently outstanding (the "Series 2005 A Bonds"); and (vi) Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, originally issued in the aggregate principal amount of \$1,014,000, of which \$984,169 is currently outstanding (the "Series 2007 A Bonds") (collectively, the "Prior Bonds").

### Sources of Payment

The payment of the debt service on the Series 2009 A Bonds and the District's existing indebtedness shall be secured forthwith equally and ratably by a parity first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Sinking Fund and the Reserve Account therein and on parity with the District's existing indebtedness as more fully described below under "ANNUAL DEBT SERVICE REQUIREMENTS." Net Revenues

derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness and to make the payments into the Sinking Fund and all other payments provided for in the Resolution, and the funds in the Sinking Fund and the Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness as the same become due and for the other purposes provided in the Resolution.

#### Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2009 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2009 A Bonds.

The District further covenants that it will enact any rate increases as shall be required to comply with the aforementioned rate covenant within thirty (30) days following a determination by the District or upon an annual audit of the District that the District is not in compliance with such rate covenant.

#### Series 2009 A Bonds Reserve Account

\$ \_\_\_\_\_ of proceeds of the Series 2009 A Bonds will be deposited in the Series 2009 A Bonds Reserve Account. In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2009 A Bonds, the Bond Commission shall withdraw and transfer to the Series 2009 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2009 A Bonds as the same becomes due from cash on deposit in the Series 2009 A Bonds Reserve Account.

In the event of a transfer from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund as aforesaid, the District shall restore the balance to the Series 2009 A Bonds Reserve Account in an amount up to the Series 2009 A Bonds Reserve Requirement. The transfer of any cash by the District from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund shall be replenished over twelve (12) equal monthly payments.

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Depreciation Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2009 A Bonds.

#### Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with the Bank of Gassaway, Sutton, West Virginia, as the depository bank (the "Depository Bank"), for

disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, for monthly deposit in the Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2009 A Bonds, on parity with the District's other indebtedness, on the next ensuing semiannual interest payment date (beginning March 1, 2010, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2009 A Bonds, on parity with the District's other indebtedness, on the next ensuing principal payment date or mandatory redemption date; third, for restoration of any deficiency in the funding of the Series 2009 A Bonds Reserve Account; and fourth, for monthly transfer to the Depreciation Fund, beginning with the first month following delivery of the Series 2009 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Revenues (excluding payments to the Series 2009 A Bonds Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, 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, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue water services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2009 A Bonds with respect to their lien on the Net Revenues of the System and funds in the Sinking Fund and the Reserve Account therein and their source of and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the District a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year 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 succeeding years after the date of issuance of such additional parity bonds, shall not be less than 120% 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 Series 2009 A Bonds then Outstanding;
- (2) The District's Prior Bonds then Outstanding;
- (3) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (4) The additional 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 any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2009 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2009 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution or any prior resolution.

The term "additional parity bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of

the System is subject to the prior and superior lien of the Series 2009 A Bonds and the District's other indebtedness on such Revenues. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2009 A Bonds and the District's other indebtedness except in the manner and under the conditions provided herein.

No additional parity bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Resolution with respect to the Bonds then Outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of issuance of the additional parity bonds.

## THE SYSTEM

### The Project

The District proposed project to construct certain improvements to and modifications to upgrade its water treatment plant's capacity from 0.75 MGD to 1.5 MGD will include replacement of the raw water screens with new screens that will allow a water intake of 1,050 GPM. Existing vertical turbine pumps will be replaced with 2 larger turbine units capable of pumping 1,050 GPM of water to the plant. Discharge piping will be modified and located in a new valve vault. The proposed improvements and modifications will include upgrading the flocculation and sediment processes, providing a new filtration system, providing new chemical feed systems, constructing additional clearwell storage, constructing a new operations building and construction of new solids collection and pumping facilities.

Without these improvements, the dynamic population and future business of the area would likely decline, suffering from questionable water quality. The Project, at a cost of approximately \$5,570,000, will permit the area to meet growth projections. The estimated Project costs include:

Construction	\$4,250,082
Engineering	405,000
Administrative & Legal	180,000
Contingencies	105,000
Reserve Fund	—, —
Capitalized Interest	—, —
Office Building	75,000
Costs of Financing	—, —

The District is financing the Project through a grant from the United States Economic Development Authority in the amount of \$2,695,500 and a private contribution by the Weyerhaeuser Corporation in the amount of \$700,000. Series 2009 A Bond proceeds in the amount of \$2,175,000 provide the balance of funding for the Project.

Water Usage

Annual Consumption History by Source

<u>Year Ended June 30</u>	<u>Residential Gallons</u>	<u>Commercial Gallons</u>	<u>Industrial Gallons</u>	<u>Public Gallons</u>	<u>Resale Gallons</u>	<u>Total</u>
2008	65,476,000	22,303,000	37,010,000	19,413,000	11,028,000	155,230,000
2007	64,192,000	24,653,000	36,575,000	22,543,000	9,919,000	157,882,000
2006	61,075,000	26,935,000	43,662,000	21,726,000	9,760,000	163,158,000
2005	68,250,000	36,847,000	37,327,000	10,689,000	9,000,000	162,113,000
2004	na	na	na	na	na	150,103,000

Customer Background

Customer Count by Type

<u>Year Ended June 30</u>	<u>Residential</u>	<u>Commercial</u>	<u>Resale</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2008	1,623	110	1	4	59	1,797
2007	1,501	110	1	4	60	1,676
2006	1,336	110	1	4	59	1,509
2005	na	na	1	na	na	1,482
2004	na	na	na	na	na	1,440

Metered Sales to General Customers – Year Ended June 30, 2008

Residential Customers	\$540,860	52%
Industrial Customers	\$224,440	21%
Commercial Customers	\$138,932	13%
Public Authorities	\$105,984	10%
Resale	\$38,644	4%

## Major Users

	5/1/08 to 4/30/09	
	Gallons	Revenue
Weyerhaeuser	32,649,400	\$241,565.21
Day's Inn	4,201,300	25,712.21
Central Regional Jail	7,856,000	43,153.00
Braxton County Schools	3,025,200	23,075.78
Braxton Health Care Center	1,948,400	11,215.86

## Water Source

The District currently uses the following two sources for its supply:

<u>Source</u>	<u>Gallons/day</u>	<u>Pumping Method</u>
Elk River	595,000 gpd	pump to storage tanks & gravity
West Virginia-American	40,260 gpd	same

## Wholesale Contracts

During the last fiscal year, the Birch River Public Service District consumed approximately 12,072,000 gallons of water, producing revenue of approximately \$51,690.

## District Personnel

Steve Sanders has been the General Manager of the District since 1995. He is supported by an Assistant General Manager, Rodney Pritt (10 years of service), Sewer Plant Manager (Gary Steve Cooper, 18 years of service), and a Chief Water Plant Operator (Charles McCumbers, 9 years of service). The District currently employs a total of 12 full time people and two (2) part time employees.

## Rates

### Existing Pre-Construction Rates

#### All Metered Customers and Bulk Sales

			<u>New Rate</u>
First	2,000	gallons used per month	\$11.69 per 1,000 gallons
Next	28,000	gallons used per month	\$8.00 per 1,000 gallons
Over	30,000	gallons used per month	\$4.25 per 1,000 gallons

#### Minimum Charges

The monthly minimum charge will be as follows, according to the size of the meter installed.

5/8 inch meter	\$23.38	per month
3/4 inch meter	\$35.07	per month
1 - inch meter	\$58.45	per month
1-1/2 inch meter	\$116.90	per month
2 - inch meter	\$187.04	per month
3 - inch meter	\$374.08	per month
4 - inch meter	\$584.50	per month
6 - inch meter	\$1,169.00	per month

#### Resale Rates

\$4.11 per 1,000 gallons used per month.

### Post Construction Rates

The PSC approved the current schedule of rates and charges. They will be formally instituted when the Project is completed or earlier. These rates were established to accommodate the Project. The following table sets forth the new rates and charges.

#### All Metered Customers and Bulk Sales

			<u>New Rate After Construction</u>
First	2,000	gallons used per month	\$13.75 per 1,000 gallons
Next	28,000	gallons used per month	\$9.81 per 1,000 gallons
Over	30,000	gallons used per month	\$4.50 per 1,000 gallons

#### Minimum Charges

No minimum bill will be rendered for less than the following per month according to meter size:

5/8 - inch meter	\$27.50	per month
3/4 - inch meter	\$41.25	per month
1 - inch meter	\$68.75	per month
1 1/2 inch meter	\$137.50	per month
2 - inch meter	\$220.00	per month
3 - inch meter	\$440.00	per month
4 - inch meter	\$687.50	per month
6 - inch meter	\$1,375.00	per month

### INDUSTRIAL RATE

\$6.00 per 1,000 gallons used per month

#### Resale Rates

\$4.51 per 1,000 gallons used per month

### Delayed Payment Penalty

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

### Water Service Charge

A charge of \$20.00 shall be made for restoring a discontinued water connection.

### Connection Charge

Subsequent to completion of construction adjacent to the user property: \$200.00.

### Billing and Collections

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of \$15.00 is required to reinstate a previously delinquent account.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

### System Budget

The General Manager prepares a draft budget for the System's operations. The District's budget is compiled from the draft budget and submitted to the Public Service Board on or before June 1 of each year. The budget is required by statute to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Upon adoption of the budget, a copy shall be provided to the County Commission. No payments may be made in excess of the budget unless unanimously authorized and directed by the Public Service Board. Separate accounting records are kept by the District and reviewed by the District's accountant each year.

### Method of Accounting

The District maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the District for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the District office.

Coverage History (Fiscal Year Ended June 30)

	Audited 2005	Audited 2006	Audited 2007	Audited 2008
Operating Revenues	\$ 924,005	\$ 1,071,261	\$ 1,064,354	\$ 1,089,846
Total Operating Expenses	\$ 858,059	\$ 921,576	\$ 1,011,503	\$ 1,129,051
Total Operating Income	\$ 65,946	\$ 149,685	\$ 52,851	\$ (39,205)
Other Income/Expenses	\$ (155,486)	\$ (147,697)	\$ (138,049)	\$ (28,157)
Net Income	\$ (89,540)	\$ 1,988	\$ (85,198)	\$ (67,362)
Debt Service	212,629	211,732	268,995	368,262
Depreciation	183,734	178,898	166,772	279,711
Interest Charges	157,724	156,874	155,150	150,292
Cash Available for Debt Service	251,918	337,760	236,724	362,641
Debt Service Coverage	1.18	1.60	0.88	0.98

Fiscal Year 2009

The Public Service Commission approved a rate increase of 25.3% after Fiscal Year 2008 to remedy the coverage deficiency. The resulting coverage, as estimated by the PSC, is 1.20x.

Fiscal Years 2010-2011

With no change expected in rates or debt service, coverage is expected to be maintained at 1.20x. (Interest will be capitalized during the construction period for the Project.)

Fiscal Year 2012

The Public Service Commission has approved a rate increase of 7% effective after the Project is substantially complete. The resulting coverage, as estimated by the PSC, will be 1.15x.

Pension Plan

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia public Employee's Retirement System (PERS). It provides retirement, disability and death benefits to plan members' beneficiaries. State statutes establish benefit provisions.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Consolidated Public Retirement Board  
 Building 5  
 1900 Kanawha Boulevard East  
 Charleston, West Virginia 25305-0720

The District and plan members are required to contribute 9.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the District and plan members are established and may be amended by State statute. The District's contributions to PERS for the years ended June 30, 2008, 2007 and 2006 were \$78,016, \$81,040, and \$71,003.

#### Public Service District Authority and Board Membership

- (1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;
- (2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty yeas, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2009 A Bonds and the Prior Bonds.

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S	Fiscal Total
08/21/2009	-	-	-	-	-	-	-	-
09/01/2010	-	-	-	-	-	-	-	-
09/01/2011	-	-	-	-	-	-	-	-
09/01/2012	-	-	-	-	-	-	-	-
09/01/2013	-	-	-	-	-	-	-	-
09/01/2014	-	-	-	-	-	-	-	-
09/01/2015	-	-	-	-	-	-	-	-
09/01/2016	-	-	-	-	-	-	-	-
09/01/2017	-	-	-	-	-	-	-	-
09/01/2018	-	-	-	-	-	-	-	-
09/01/2019	-	-	-	-	-	-	-	-
09/01/2020	-	-	-	-	-	-	-	-
09/01/2021	-	-	-	-	-	-	-	-
09/01/2022	-	-	-	-	-	-	-	-
09/01/2023	-	-	-	-	-	-	-	-
09/01/2024	-	-	-	-	-	-	-	-
09/01/2025	-	-	-	-	-	-	-	-
09/01/2026	-	-	-	-	-	-	-	-
09/01/2027	-	-	-	-	-	-	-	-
09/01/2028	-	-	-	-	-	-	-	-
09/01/2029	-	-	-	-	-	-	-	-
09/01/2030	-	-	-	-	-	-	-	-
09/01/2031	-	-	-	-	-	-	-	-
09/01/2032	-	-	-	-	-	-	-	-
09/01/2033	-	-	-	-	-	-	-	-
09/01/2034	-	-	-	-	-	-	-	-
09/01/2035	-	-	-	-	-	-	-	-
09/01/2036	-	-	-	-	-	-	-	-
09/01/2037	-	-	-	-	-	-	-	-
09/01/2038	-	-	-	-	-	-	-	-
09/01/2039	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter.

### Application of Series 2009 A Bond Proceeds

The amount of the Series 2009 A Bond proceeds representing interest accrued on the Series 2009 A Bonds from the date thereof to the date of delivery to the Underwriter shall be deposited in the Series 2009 A Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2009 A Bonds next coming due.

An amount of the proceeds of the Series 2009 A Bonds equal to the Series 2009 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2009 A Bonds Reserve Account.

The balance of the proceeds of the Series 2009 A Bonds shall be deposited with the Depository Bank in the Construction Fund and in the Costs of Issuance Fund and shall be drawn out, used and applied by the District solely to pay costs of the Project and to pay costs of issuance of the Series 2009 A Bonds. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and financing may be invested in accordance with the Resolution, subject however to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, the District shall transfer such unapplied proceeds to the Series 2009 A Bonds Redemption Account. The District shall transfer all such proceeds to the Series 2009 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 2009 A Bonds from which such proceeds are derived.

### Application of System Revenues

The Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

### System Revenues; Flow of Funds

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The District shall first each month pay from the Revenue Fund the Operating Expenses of the System.

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required to pay interest on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by the Prior Resolution to pay interest on the Series 1998 B Bonds and Series 2001 Bonds; and (iii) to the Commission commencing 6 months prior to the first interest payment date on the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2009 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2009 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required by Prior Resolution to pay principal on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by Prior Resolution to pay principal on the Series 1998 B Bonds, Series 2001 Bonds, Series 2005 A Bonds and Series 2007 A Bonds; and (iii) to the Commission commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, and in the Series 2009 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2009 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the respective Reserve Accounts, the amounts required under the Prior Resolutions to fund the respective reserve requirements for the Prior Bonds; and (ii) for deposit in the Series 2009 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2009 A Bonds

Reserve Account below the Series 2009 A Bonds Reserve Requirement or any withdrawal from the Series 2009 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2009 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2009 A Bonds Reserve Account is less than the Series 2009 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2009 A Bonds Reserve Account for deposit into the Series 2009 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2009 A Bonds Reserve Account to an amount equal to the Series 2009 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2009 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2009 A Bonds Reserve Requirement.

(5) The District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in accordance with Article V of the Resolution. 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.

Monies in the Series 2009 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2009 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2009 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2009 A Bonds when due, when amounts in the Series 2009 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The District shall not be required to make any further payments into the Series 2009 A Bonds Sinking Fund or the Series 2009 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2009 A Bonds issued pursuant to the Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2009 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2009 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 or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirements therefor.

The payments into the Series 2009 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The District shall restore any withdrawals from the Series 2009 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2009 A Bonds Reserve Requirement, from the first Net Revenues available after all required payments have been made in full in the order set forth above.

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

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the District at the times provided herein.

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.

The District shall remit from the Revenue Fund to the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond 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 any charges and fees then due.

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

If on any monthly payment date the Net 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, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

#### Investments

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

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

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

(A) Qualified Investments acquired for the Series 2009 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2009 A Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2009 A Bonds Reserve Account an amount at least equal to the Series 2009 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2009 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2009 A Bonds Reserve Account shall, at any time, be less than the Series 2009 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2009 A Bonds Sinking Fund and otherwise in accordance with Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2009 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2009 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

#### General Covenants

Enforcement of Collections. The District has covenanted diligently to enforce and collect all fees, rates, 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, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The District will shut off and discontinue the supplying of water service for the nonpayment of the rates or charges for said water service to the full extent permitted or authorized by State law.

Completion, Operation and Maintenance. The District 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 the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2009 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of \$50,000, the District 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 the District 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 shall be in excess of \$50,000 but not in excess of \$200,000, the District 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, approve and 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 Depreciation Fund. Payment of such proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$200,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 9.01, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The District 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.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District 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 the Revenues with, the Bonds, provided that additional Bonds on parity with the Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE SERIES 2009 A BONDS-Additional Parity Bonds." All obligations issued by the District 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 Revenues and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity Bonds, upon any of the income and Revenues of the System pledged for payment of the Bonds and the interest thereon in the Resolution, or upon the System or any part thereof.

Insurance. The District will carry, with a reputable insurance carrier or carriers, procure and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

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

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the District 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 District from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT 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 District 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, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

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

F. FIDELITY BONDS will be provided as to every officer and employee of the District 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.

Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. 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 the operation of the System.

No Competing Franchise. To the extent legally allowable, the District 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.

Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Bonds shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the

Public Service Commission of West Virginia and the Act. The District shall maintain separate control accounting records.

The Public Service Board shall file with the Consulting Engineers and the Underwriter, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report containing a statement of Revenues, operating expenses and Net Revenues derived from the System, and a balance sheet statement showing all deposits in the funds and accounts provided for in the Resolution and the status of all said funds.

The District 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 registered owner of the Bonds, and shall file said report with the Underwriter. As required by statute, such audited annual report shall be filed with the Braxton County Commission and the Public Service Commission of West Virginia.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Public Service Board shall annually, prior to the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without the unanimous written approval the Public Service Board. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Registrar and shall make available such budgets and resolutions to the Registrar and to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other moneys and securities pledged under the Resolution, and all

covenants, agreements and other obligations of the District on behalf of 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 the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the same or earlier time, shall be sufficient to pay when due the principal of and interest due and to become due on the Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on the Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission free and clear of any trust, lien or pledge. The Bond Commission may appoint an escrow trustee to hold such moneys or securities. With respect to defeasance, the term securities includes only Government Obligations.

#### Default and Remedies

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

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by any registered owner of the Bonds;

C. If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the 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 proceedings enforce all rights of the registered owners of the Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the District 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 Resolution or the rights of the registered owners of the Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and the deposits into the funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the 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 the Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any registered owner of the Bonds shall have the same right to secure the further appointment of a receiver.

Such receiver, in the performance of the powers conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the order and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing contained in the Resolution 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 in the Resolution.

Any receiver appointed as provided in the Resolution shall hold and operate the System in the name of the District and for the joint protection and benefit of the District 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the District and registered owners of the Bond, and the curing and making good of any default under the provisions of the Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

## TAX MATTERS

In the opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2009 A Bonds (including any original issue discount properly allocable to any owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations.

The District has designated the Series 2009 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265 (b)(3) of the Code, which relates to the ability of certain financial institutions to deduct the interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes. The District has covenanted that it does not reasonably expect to issue more than \$30,000,000 of qualified tax-exempt obligations during the calendar year 2009.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2009 A Bonds for federal income tax purposes, including a requirement that the District rebate to the United States Treasury certain arbitrage earnings. The District will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the District to comply with such requirements could result in interest on the Series 2009 A Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2009 A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with "excess net passive income," individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2009 A Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2009 A Bonds should consult their tax advisors regarding collateral federal tax consequences.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2009 A Bonds and the interest thereon are exempt from direct taxation by the State of West Virginia and the other taxing bodies of the State.

## APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2009 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, Counsel for the District will pass upon certain legal matters for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters.

## **ABSENCE OF MATERIAL LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2009 A Bonds, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2009 A Bonds.

## **NEGOTIABLE INSTRUMENTS**

Pursuant to State law, the Series 2009 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2009 A BONDS - General."

## **UNDERWRITING**

The Underwriter named on the cover of this Official Statement is purchasing the Series 2009 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2009 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of \$\_\_\_\_\_ plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2009 A Bonds to certain dealers (including dealers depositing Series 2009 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

## **FINANCIAL STATEMENTS**

Included herein as Appendix B are the audited financial statements of the System as of and for the fiscal year ended June 30, 2008, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2008, dated January 5, 2009, of Bennett & Dobbins PLLC, Certified Public Accountant. The general purpose financial statements and the combined and individual fund and account group financial statements of the District (which include the System) have been audited by Bennett & Dobbins PLLC to the extent and for the period indicated in his report.

## **CONTINUING DISCLOSURE**

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2009 A Bonds, to provide, in accordance with the Continuing Disclosure Certificate, which shall be delivered in substantially the form attached hereto as Appendix D, for the benefit of the Registered Owners of the Series 2009 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later

than one hundred fifty (150) days following the end of the fiscal year of the Authority, commencing in 2009. The Annual Information and each notice of material events will be filed electronically by the District with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to EMMA of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2009 A Bonds. Registered Owners may contact the District's General Manager at P.O. Box 677, Sutton, West Virginia 26601 for more information. Under the Continuing Disclosure Certificate, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

### MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Resolution for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2009 A Bonds. The District has authorized the execution and distribution of this Official Statement.

### FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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

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## APPENDIX A

### General Information Regarding the District

#### Braxton County, West Virginia

#### HISTORY

Braxton County (the "County") was created by an act of the Virginia General Assembly on January 15, 1836, from parts of Lewis, Kanawha, and Nicholas Counties. It was named in honor of Carter Braxton. He was a noted Virginia statesman who graduated from The College of William & Mary, was a long-time member of the Virginia House of Burgesses and a signer of the Declaration of Independence.

The first land survey in the County took place in 1784 on behalf of John Allison who had a warrant on 11,000 acres of land in the area. Adam O'Brien, an Indian scout and noted hunter, was part of the survey party. 7,000 acres of Allison's land were purchased by John Sutton of Alexandria, Virginia. His son, John D. Sutton, visited the area in 1798 and found a small, abandoned cabin on the land. He learned that John (or Adam) O'Brien once lived in the hollow of a large sycamore tree in the area around present day Sutton in 1792, 1793 or 1794, but he never did discover who had built the cabin.

The County's first permanent English settlers were the Carpenter family, including brothers Jeremiah, Benjamin, Jesse and Amos, and their mother. They arrived in 1789 or 1790 and built cabins at the mouth of the Holly River. Less than a year later, Benjamin Carpenter and his wife were killed by two Indians who were passing through the area. In 1800, Jeremiah and Henry Mace settled near present day Sutton. In 1807, Colonel John Haymond moved from Harrison County and settled near the Falls of the Little Kanawha. His three brothers, Benjamin, Daniel and John Conrad, settled three miles south of him. Also in that year, Nicholas Gibson and Asa Squires moved into the County. In 1810, John D. Sutton moved to the present site of Sutton, which, at the time, was known as Newville.

The first meeting of the County Court took place on April 11, 1836, at the home of John D. Sutton. Sutton, the county seat, had been chartered as a town by an act of the Virginia General Assembly on January 27, 1826. Originally located in Nicholas County, it had been known as Newville and later as Suttonville. The town's name was changed to Sutton on March 1, 1837, and it was incorporated on February 20, 1860.

Braxton County was the location of a famous Indian massacre. A 1764 treaty with the various Indian tribes was violated in 1772 when several Indians were murdered on the South Branch of the Potomac River by Nicholas Harpold and his companions. About the same time, Bald Eagle, an Indian chief of some notoriety, was murdered while on a hunting trip on the Monongahela River. In the meantime, Captain Bull, a Delaware Indian Chief and five other Indian families were living in Braxton County in an area known as Bulltown, about 14 miles

from present day Sutton. Captain Bull was regarded by most of the settlers in the region as friendly. But, there were some white families who suspected Captain Bull of providing information to and harboring unfriendly Indians. While away from home in June, the family of a German immigrant named Peter Stroud was murdered, presumably by Indians. The trail left by the murderers led in the general direction of Bulltown. Peter's brother, Adam Stroud, had a cabin nearby and seeing smoke rising into the sky, raced to his brother's cabin. He gathered up what was left of the bodies and buried them. Peter then headed for Hacker's Creek where he met with several others who agreed to join him in an attack on Bulltown. They killed all of the Indians in the village and threw their bodies into a nearby river. News of Captain Bull's massacre spread across the western frontier and set off a series of incidents between the Indians and the English settlers, ending eight years of peace on the western frontier.

Ann Bailey, an eccentric Englishwoman from Liverpool, was a colorful character on the frontier and a native of Braxton County. Known as "Mad Ann," she served as a messenger for the militia during the French and Indian Wars (1754-1763) and was an accomplished markswoman and hunter. It was said that she rode her famous black horse, Liverpool, like a man, with a rifle over one shoulder and a tomahawk and butcher's knife in her belt. She entertained many crowded campfires with the stories of her adventures and was welcomed at every home in the County.

## **TRANSPORTATION**

West Virginia's location within 500 miles of 60 percent of the United States population enables businesses to reach their markets quickly, efficiently, and within a reasonable budget. Braxton County's location in the heart of West Virginia and along I-79 enhances the opportunities for businesses to access markets quickly and efficiently. The County is located within one hour of the state capitol and one to two hours from other major urban areas in the state.

### **Highways**

The intersection of 2 major highway systems is located in Braxton County. I-79 is the major north-south transportation route providing direct access to the ports of the Great Lakes. In Morgantown, WV, I-79 intersects with I-68 which is a link to most major arteries on the eastern seaboard. Forty miles north of Morgantown, I-79 connects with I-70 which runs through the Midwest, and ties in with all major highway networks in the northeast. In Charleston, WV, I-79 intersects with I-77 and I-64 opening the area to the south and the Midwest. The County is also the northern terminus for the Route 19 Appalachian Corridor, which has recently been upgraded to a four lane highway. Route 19 connects on its southern end to I-64 and I-77. At least five motor freight carriers serve the area. United Parcel Services, Roadway Packing Systems, Wabash Transportation, Motor Freight and Federal Express deliver packages within the County.

### **Railroads**

Two spur railroad lines serve the County. The Elk River Railroad originates in Clay County and enters the southwestern corner of the County. It runs the length of the County to the

northwestern border where it links with CSX at the Gilmer County line. Additionally, CSX has a spur which offers services to the eastern part of the County. It originates in northern Webster County and continues to Burnsville, where it joins the main CSX line. CSX gives the area access to the ports of Newport News/Norfolk and Baltimore to the east; and Cincinnati and Chicago in the Midwest.

### Air Services

The Braxton County Airport is a general aviation facility. Its 4,000 foot runway is capable of handling light twin-engine aircraft. With a short lead-time, charters, air taxi, and package delivery services are offered at the airport. Major airline service is provided at Clarksburg Benedum Airport and Charleston's Yeager Airport. US Airways serves both airports, and other major carriers in Charleston include United Express, Comair, and Northwest. Through Yeager Airport, direct service is provided to airports in Houston, Charlotte, Chicago, Detroit, Cincinnati, Atlanta and both in Washington D.C. Yeager is an inland port of entry for international goods that also offers shipping and charter opportunities.

### GOVERNMENT AND PUBLIC OFFICES

Local government and County public offices are housed in the Braxton County Courthouse and Courthouse Annex in Sutton, West Virginia.

Elected County Officials	
Name	Position
Mike Chapman	Commissioner
Teresa Frame	Commissioner
David Jack, Sr.	Commissioner
William Martin	Prosecuting Attorney
Howard Carpenter	County Sheriff
Larry Clifton	County Assessor
John Jordan	County Clerk
J. W. Morris	Circuit Clerk

### BRAXTON COUNTY – TOP TEN EMPLOYERS (MARCH 2007)

1. Braxton County Board of Education
2. Weyerhaeuser Company
3. Braxton County Memorial Hospital
4. Go-Mart, Inc.
5. Braxton County Senior Citizens Center, Inc.
6. Central West Virginia Aging Services, Inc.
7. Mountain Cap of West Virginia
8. Bi-Con Services, Inc.
9. ANR Coal – WV, LLC.
10. John Skidmore Development, Inc. (Sutton Inn, Days Hotel)

Source: Bureau of Employment Programs, 2007

## ECONOMIC ASSETS

An advanced telecommunications infrastructure makes West Virginia one of the world's most sought-after business locations. A complete digital network provides the technology necessary for simultaneous reception or transmittal of voice, data and video, full motion video-teleconferencing ISDN, DDS, and Digital CENTREX services, high-speed bulk data transfer, high speed facsimile and mobile services, directed LAN interconnections, and high-speed internet connections.

Electricity in the County is provided by Allegheny Power. Locally, Allegheny Power has the capacity to serve any industry that might locate within the County with competitive rates.

The major gas supplier in the County is Hope Gas, Inc. Other smaller suppliers insure an unlimited supply of natural gas for any business or industrial user. Water and wastewater treatment are supplied by several sources. Planned upgrades to existing systems guarantee adequate water and sewer infrastructure to address business and industrial needs.

By far the most impressive local resource is timber. The following tables detail the nature and extent of the area's timber resources.

### *Area of Timberland By Stand Size Class*

Type In Thousands Of Acres	Braxton County	Contiguous Counties
Sawtimber	186	923
Poletimber	64	347
Sapling and Seedling	19	98
All Classes	270	1367

### *Area of Timberland By Forest Type Group*

Type In Thousands Of Acres	Braxton County	Contiguous Counties
White/Red Pine	3.5	3.7
Loblolly	0.0	5.3
Elm/Ash/Red Maple	3.5	2.9
Oak/Pine	3.6	17.6
Oak/Hickory	247.2	1122.0
Northern Hardwoods	11.8	219.3
All Groups	269.6	1367.4

*Net Volume of Timberland By Selected Species*

<b>Species/Millions of Cubic Feet</b>	<b>Braxton</b>	<b>Contiguous Counties</b>
Red Maple	17.8	237.1
Sugar Maple	24.5	118.7
Hemlock	54.3	54.3
Hickory	53.1	166.4
Beech	21.7	137.9
Yellow Poplar	112.7	29.8
Select White Oak	54.7	154.2
Select Red Oak	39.7	227.4
Total Hardwoods	482.2	2144.7

Source: Braxton County Development Authority

**LABOR FORCE**

**Wage Rates**

<i>Occupation</i>	<i>Average Annual Wages</i>
Construction	\$26,535
Manufacturing	\$23,924
Transportation/Public Utilities	\$32,109
Wholesale Trade	\$22,602
Retail Trade	\$14,511
FIRE (Finance, Insurance, Real Estate)	\$20,602
Services (Medical and Business)	\$14,870
Government	\$22,298

Source: Braxton County Development

**Population-Braxton County, West Virginia**

<b>People QuickFacts</b>	<b>Braxton County</b>	<b>West Virginia</b>
Population, 2006 estimate	14,810	1,818,470
Population, percent change, April 1, 2000 to July 1, 2006	0.7%	0.6%
Population, 2000	14,702	1,808,344
Persons under 5 years old, percent, 2005	5.0%	5.6%
Persons under 18 years old, percent, 2005	20.5%	21.1%
Persons 65 years old and over, percent, 2005	15.5%	15.3%
Female persons, percent, 2005	49.2%	51.1%
White persons, percent, 2005	98.5%	95.2%

Black persons, percent, 2005	0.7%	3.2%
American Indian and Alaska Native persons, percent, 2005	0.2%	0.2%
Asian persons, percent, 2005	0.1%	0.6%
Native Hawaiian and Other Pacific Islander, percent, 2005	0.1%	0.0%
Persons reporting two or more races, percent, 2005	0.4%	0.8%
Persons of Hispanic or Latino origin, percent, 2005	0.5%	0.9%
White persons not Hispanic, percent, 2005	98.0%	94.4%
Living in same house in 1995 and 2000, pct 5 yrs old & over	66.5%	63.3%
Foreign born persons, percent, 2000	0.2%	1.1%
Language other than English spoken at home, pct age 5+, 2000	1.4%	2.7%
High school graduates, percent of persons age 25+, 2000	67.3%	75.2%
Bachelor's degree or higher, pct of persons age 25+, 2000	9.2%	14.8%
Persons with a disability, age 5+, 2000	3,938	410,781
Mean travel time to work (minutes), workers age 16+, 2000	36.7	26.2
Housing units, 2005	7,572	872,203
Homeownership rate, 2000	78.2%	75.2%
Housing units in multi-unit structures, percent, 2000	4.7%	12.0%
Median value of owner-occupied housing units, 2000	\$59,300	\$72,800
Households, 2000	5,771	736,481
Persons per household, 2000	2.46	2.40
Median household income, 2004	\$28,171	\$33,993
Per capita money income, 1999	\$13,349	\$16,477
Persons below poverty, percent, 2004	20.1%	16.2%

<b>Business QuickFacts</b>	<b>Braxton County</b>	<b>West Virginia</b>
Private nonfarm establishments, 2005	295	40,735
Private nonfarm employment, 2005	3,122	565,499
Private nonfarm employment, percent change 2000-2005	1.2%	1.3%
Nonemployer establishments, 2004	689	87,825
Total number of firms, 2002	905	113,087
Black-owned firms, percent, 2002	F	1.3%
American Indian and Alaska Native owned firms, percent, 2002	F	0.4%
Asian-owned firms, percent, 2002	F	1.1%
Native Hawaiian and Other Pacific Islander owned firms, percent, 2002	F	0.0%
Hispanic-owned firms, percent, 2002	F	0.6%
Women-owned firms, percent, 2002	11.9%	27.7%
Manufacturers shipments, 2002 (\$1000)	NA	18,911,332

Wholesale trade sales, 2002 (\$1000)	54,223	10,924,279
Retail sales, 2002 (\$1000)	123,859	16,747,900
Retail sales per capita, 2002	\$8,364	\$9,277
Accommodation and foodservices sales, 2002 (\$1000)	15,864	1,974,851
Building permits, 2006	1	5,645
Federal spending, 2004 (\$1000)	99,238	15,183,496

	<b>Braxton County</b>	<b>West Virginia</b>
<b>Geography QuickFacts</b>		
Land area, 2000 (square miles)	513.48	24,077.73
Persons per square mile, 2000	28.7	75.1
FIPS Code	007	54
Metropolitan or Micropolitan Statistical Area	None	

## EDUCATION

Braxton County public schools are well-equipped to give students a technological edge. All students and faculty have access to computers and the internet. The school system's focus on a quality, well-rounded education has allowed Braxton County Schools to score above the national and state averages on standardized tests.

Employers find that the labor force is computer literate and above average in many skills.

Braxton County is located within a one and one-half hour drive of four major institutions of higher learning. These colleges and universities offer access to a wide variety of two and four year degree programs including forest management, engineering and liberal arts, as well as many other disciplines. West Virginia University's research capabilities in wood products and energy related fields are especially helpful to businesses.

Glenville State College has opened a distance learning center at the Days Hotel in Flatwoods. Students unable to attend college in the traditional sense can use the facility to take college classes. When courses are not scheduled, the distance learning center is also open for commercial use. Companies can use the facility for teleconferencing with distant locations.

With three community colleges focusing on the needs of businesses and the financial resources of the state's Governor's Guaranteed Workforce Program, employers can be assured that they will have a highly skilled and productive workforce.

Institution	Distance In Miles
Glenville State College	30
WV University Institute of Technology	60
West Virginia Wesleyan College	60
West Virginia University	90

Source: Braxton County Development Authority

## HEALTH CARE

Braxton County Memorial Hospital, a member of CAMCARE Health System, is the anchor facility for the County's health care system. Licensed for 40 acute care beds, this hospital provides the County and surrounding areas with a wide range of services from 24-hour emergency care to general medical services and same day surgery. The Braxton Community Health Center and Women's Health and Resource Center round out a variety of services focusing on women, families and children. For patients needing treatment not offered locally, major medical centers are located in Morgantown and Charleston.

## HOUSING

The cost of owning or renting a home in Braxton County is considered a great bargain. The affordable cost of single family homes allows approximately 70 percent of the County's residents to own their own homes. The majority of homes fall within the \$40,000-\$75,000 price range; the same homes would be worth considerably more in other regions of the country. Monthly rentals are considerably lower than the national, regional or state averages. Choices in housing range from secluded country farms to quaint Victorian homes in a National Historic Register District.

### *Average household size:*

Braxton County: 2.5 people

West Virginia: 2.4 people

### *Estimated median household income in 2005*

Braxton County: \$27,500

West Virginia: \$33,452

Source: Braxton County – [www.city-data.com](http://www.city-data.com)

## RECREATION

Burnsville Lake and Sutton Lake are major recreational facilities offering marinas, boat launches, beaches and camping areas. There are more than 500 camping sites in the County and over 30,000 acres of Wildlife Management Areas offering hunting and fishing opportunities. Braxton County is home to some of the finest hunting in West Virginia including deer, turkey, bear, grouse and waterfowl, an increasingly popular game.

Plans are underway for the construction of a championship 18-hole golf course in Flatwoods. The growing popularity of the sport, first-rate accommodations and expert staffing will make the County a destination for golfers and their families.

Shopping, considered an important recreational activity by many, gives Braxton County a definite edge. Some of the best recreational shopping in the state can be found at the Flatwoods Factory Outlet Mall, home to such designer shops as Tommy Hilfiger, Jones of New York, and the Shops of the Greenbrier, West Virginia's only five-star resort. The shopping center's success can be attributed to its location on I-79, a major north-south transportation artery. Excellent sales volumes for many stores have resulted in a top ten ranking among their respective chains for business volume.

Source: Bureau of Employment Programs

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**APPENDIX B**

**Financial Statements**

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AUDIT REPORT OF  
FLATWOODS - CANOE RUN  
PUBLIC SERVICE DISTRICT  
SUTTON, WEST VIRGINIA  
JUNE 30, 2008 AND JUNE 30, 2007

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
BOARD OF DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>POSITION</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
Chairman	Eldred Drake	12/31/2013
Secretary	James Konkell	12/31/2009
Treasurer	John Gibson	12/31/2011

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
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**Bennett & Dobbins PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue  
Fairmont, WV 26554-1604  
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA  
ZACHARY D. DOBBINS, CPA

January 5, 2009

Board of Directors  
Flatwoods - Canoe Run Public Service District  
Sutton, West Virginia

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying combined and combining financial statements of the business-type activities and each major fund of Flatwoods-Canoe Run Public Service District as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the District's Basic Financial Statements as listed in the table of contents. These financial statements are the responsibility of the management of Flatwoods-Canoe Run Public Service District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of Flatwoods-Canoe Run Public Service District as of June 30, 2008 and June 30, 2007, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 5, 2009 on our consideration of Flatwoods-Canoe Run Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Flatwoods-Canoe Run Public Service District's taken as a whole. The schedule of prior year audit findings is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Flatwoods-Canoe Run Public Service District has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Bennett & Dobbins PLLC*

Bennett & Dobbins PLLC

FLATWOODS – CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINED FINANCIAL STATEMENTS

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF NET ASSETS**  
**JUNE 30,**

**ASSETS**

**CURRENT ASSETS**

	2008	2007
Cash	\$ 74,187	\$ 23,342
Accounts Receivable Less Allowance of \$13,099	189,281	202,112
Prepaid Expenses	24,226	-
Restricted Assets:		
Construction Fund	347,068	486,109
Cash - Customer Deposits	59,959	64,449
Municipal Bond Commission Revenue Fund	83,186	198,816
<b>TOTAL CURRENT ASSETS</b>	<u>777,907</u>	<u>974,828</u>

**NON-CURRENT ASSETS**

Restricted Assets:		
Depreciation Fund	24,190	37,133
Municipal Bond Commission Debt Reserve	262,430	290,762
Bond Issuance Costs	111,952	117,100
Capital Assets:		
Land & Construction Work in Progress	581,372	7,049,577
Other Capital Assets - Net of Accumulated Depreciation	21,457,190	14,492,797
<b>TOTAL NON-CURRENT ASSETS</b>	<u>22,437,134</u>	<u>21,987,369</u>
<b>TOTAL ASSETS</b>	<u>\$ 23,215,041</u>	<u>\$ 22,962,197</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30,**

<b>LIABILITIES</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 37,441	\$ 45,877
Taxes and Benefits Payable	26,911	6,356
Condemnations Payable	18,053	18,051
Notes Payable	-	22,440
Construction Payable	297,169	441,776
 <b>CURRENT LIABILITIES FROM RESTRICTED ASSETS</b>		
Accrued Interest	115,055	95,066
Customer Deposits Payable	51,221	55,613
Current Portion - Revenue Bonds Payable	947,047	960,308
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,492,895</u>	<u>1,645,487</u>
 <b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable - Net of Current Portion	11,838,166	11,175,485
Compensated Absences	45,289	52,629
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>11,883,455</u>	<u>11,228,114</u>
 <b>TOTAL LIABILITIES</b>	<u>\$ 13,376,350</u>	<u>\$ 12,873,601</u>
 <b>NET ASSETS</b>		
Invested In Capital Assets - Net of Related Debt	\$ 9,285,197	\$ 9,427,363
Restricted Externally or Constitutionally:		
Depreciation Fund	24,190	37,133
Bond Reserve & Revenue	345,616	489,573
Unrestricted	183,688	134,522
<b>TOTAL NET ASSETS</b>	<u>\$ 9,838,691</u>	<u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 COMBINED STATEMENT OF INCOME, EXPENSES AND CHANGES  
 IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30,**

	2008	2007
<b>OPERATING REVENUES</b>		
Sales	\$ 1,934,100	\$ 1,964,490
Other Operating Revenues	31,601	36,245
<b>TOTAL OPERATING REVENUES</b>	<u>1,965,701</u>	<u>2,000,735</u>
<b>OPERATING EXPENSES</b>		
Depreciation & Amortization	652,476	540,856
Purchased Water	67,302	65,092
Operation Labor	375,447	380,223
Taxes & Benefits	267,802	238,000
Administrative & General Salaries	122,107	117,720
Telephone Expense	15,347	15,408
Supplies Expense	57,833	61,432
General Expenses	39,477	48,911
Power Purchased	97,471	99,854
Maintenance and Repairs	144,808	253,665
Chemicals	32,591	25,749
Meter Reading	26,410	51,873
Outside Services	98,210	58,465
Property Insurance	70,385	43,388
<b>TOTAL OPERATING EXPENSES</b>	<u>2,067,656</u>	<u>2,000,636</u>
<b>OPERATING INCOME (LOSS)</b>	(101,955)	99
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Revenue	29,516	44,626
Interest Expense	(295,063)	(301,257)
In Kind OPEB Contribution	17,607	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(247,940)</u>	<u>(256,641)</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	(349,905)	(256,542)
<b>CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	<u>100,000</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(249,905)	(256,542)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>10,088,596</u>	<u>10,345,138</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,838,691</u>	<u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30,**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,946,931	\$ 1,959,213
Cash Received from Other Operating Reserves	31,601	36,245
Cash Payments for Operation & Maintenance Expenses	(639,638)	(658,119)
Cash Payments to Employees for Services	(530,085)	(548,429)
Cash Payments for Payroll Taxes & Benefits	(247,247)	(237,784)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>561,502</u>	<u>553,126</u>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Change in Customer Deposits	(4,392)	7,142
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(4,392)</u>	<u>7,142</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition And Construction Of Capital Assets	(1,267,917)	(2,401,256)
Capital Grants Received	100,000	-
Principal Advances on Bonds & Notes	1,104,488	2,040,448
Principal Paid on Bonds & Notes	(477,503)	(349,418)
Interest Paid on Bonds	(295,251)	(301,997)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(836,213)</u>	<u>(1,012,221)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	29,512	44,826
Deposits to Municipal Bond Commission	(620,733)	(658,425)
Disbursements from Municipal Bond Commission	764,758	551,819
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>173,479</u>	<u>38,079</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(136,639)</u>	<u>(413,874)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>611,033</u>	<u>1,024,907</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 474,394</u>	<u>\$ 611,033</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>		
Unrestricted - Cash	\$ 74,187	\$ 23,347
Restricted Cash - Depreciation Fund	34,190	37,133
Restricted Cash - Customer Deposits	59,959	64,449
Restricted Cash - Construction Fund	347,658	489,109
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>\$ 474,394</u>	<u>\$ 611,033</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (101,965)	\$ 99
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities		
Depreciation & Amortization	652,476	640,856
OPEB In Kind Expense	17,607	-
Changes in Assets And Liabilities:		
(Increase) Decrease In Accounts Receivable	12,831	(5,277)
(Increase) Decrease In Prepaid Expenses	(24,226)	-
Increase (Decrease) In Accounts Payable	(8,436)	16,998
Increase (Decrease) In Taxes & Withholding Payable	20,555	216
Increase (Decrease) In Compensated Absences	(7,340)	234
Total Adjustments	<u>663,467</u>	<u>553,027</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 561,502</u>	<u>\$ 553,126</u>
<b>NONCASH ACTIVITIES FROM INVESTING ACTIVITIES</b>		
OPEB In Kind Revenue	<u>\$ 10,388</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINING FINANCIAL STATEMENTS**

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 51,397	\$ 22,790	\$ 74,187
Accounts Receivable Less Allowance of \$13,099	89,285	99,996	189,281
Prepaid Expenses	13,047	11,179	24,226
Due To/ (From)	(53,335)	53,335	-
<b>Restricted Assets</b>			
Construction Fund	870	346,198	347,068
Cash - Customer Deposits	38,558	21,401	59,959
Municipal Bond Commission Revenue Fund	79,258	3,928	83,186
<b>TOTAL CURRENT ASSETS</b>	<u>219,080</u>	<u>558,827</u>	<u>777,907</u>
<b>NON-CURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Depreciation Fund	271	23,919	24,190
Municipal Bond Commission Debt Reserve	214,134	48,296	262,430
Bond Issuance Costs	111,952		111,952
<b>Capital Assets</b>			
Land & Construction Work in Progress	35,361	545,011	581,372
Other Capital Assets - Net of Accumulated Depreciation	12,441,287	9,015,903	21,457,190
<b>TOTAL NON-CURRENT ASSETS</b>	<u>12,804,005</u>	<u>9,633,129</u>	<u>22,437,134</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,023,085</u>	<u>\$ 10,191,956</u>	<u>\$ 23,215,041</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 8,485	\$ 14,857	\$ 23,342
Accounts Receivable Less Allowance of \$13,099	93,121	108,991	202,112
Due To/ (From)	(41,335)	41,335	-
Restricted Assets:			
Construction Fund	23,958	462,151	486,109
Cash - Customer Deposits	42,645	21,804	64,449
Municipal Bond Commission Revenue Fund	127,472	71,344	198,816
<b>TOTAL CURRENT ASSETS</b>	<u>254,346</u>	<u>720,482</u>	<u>974,828</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets:			
Depreciation Fund	10,830	26,253	37,133
Municipal Bond Commission Debt Reserve	221,824	68,938	290,762
Bond Issuance Costs	117,100	-	117,100
Capital Assets:			
Land & Construction Work in Progress	6,923,007	128,570	7,049,577
Other Capital Assets - Net of Accumulated Depreciation	5,134,435	9,358,362	14,492,797
<b>TOTAL NON-CURRENT ASSETS</b>	<u>12,407,246</u>	<u>9,580,123</u>	<u>21,987,369</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,661,592</u>	<u>\$ 10,300,605</u>	<u>\$ 22,962,197</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2008**

	Water	Sewer	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 17,800	\$ 19,641	\$ 37,441
Taxes and Benefits Payable	15,881	11,030	26,911
Condemnations Payable	-	18,051	18,051
Notes Payable	-	-	-
Construction Payable	20,046	277,123	297,169
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest	31,678	83,377	115,055
Customer Deposits Payable	30,746	20,475	51,221
Current Portion - Revenue Bonds Payable	216,692	730,355	947,047
<b>TOTAL CURRENT LIABILITIES</b>	<b>332,843</b>	<b>1,160,052</b>	<b>1,492,895</b>
<b>LONG-TERM LIABILITIES</b>			
Revenue Bonds Payable - Net of Current Portion	8,797,600	3,040,566	11,838,166
Compensated Absences	26,765	18,524	45,289
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>8,824,365</b>	<b>3,059,090</b>	<b>11,883,455</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 9,157,208</b>	<b>\$ 4,219,142</b>	<b>\$ 13,376,350</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt Restricted Externally or Constitutionally	\$ 3,444,180	\$ 5,841,017	\$ 9,285,197
Depreciation Fund	271	23,919	24,190
Bond Reserve & Revenue	293,392	52,224	345,616
Unrestricted	128,034	55,654	183,688
<b>TOTAL NET ASSETS</b>	<b>\$ 3,865,877</b>	<b>\$ 5,972,814</b>	<b>\$ 9,838,691</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2007**

	Water	Sewer	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 30,716	\$ 15,161	\$ 45,877
Taxes and Benefits Payable	5,001	1,355	6,356
Condemnations Payable	-	18,051	18,051
Notes Payable	5,500	16,940	22,440
Construction Payable	441,776	-	441,776
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest	32,074	62,992	95,066
Customer Deposits Payable	34,679	20,934	55,613
Current Portion - Revenue Bonds Payable	232,045	728,263	960,308
<b>TOTAL CURRENT LIABILITIES</b>	<b>781,791</b>	<b>863,696</b>	<b>1,645,487</b>
<b>LONG-TERM LIABILITIES</b>			
Revenue Bonds Payable - Net of Current Portion	7,913,592	3,261,893	11,175,485
Compensated Absences	32,970	19,659	52,629
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>7,946,562</b>	<b>3,281,552</b>	<b>11,228,114</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 8,728,353</b>	<b>\$ 4,145,248</b>	<b>\$ 12,873,601</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	\$ 3,488,487	\$ 5,938,876	\$ 9,427,363
Restricted Externally or Constitutionally:			
Depreciation Fund	10,860	26,253	37,113
Bond Reserve & Revenue	349,296	140,282	489,578
Unrestricted	84,576	49,946	134,522
<b>TOTAL NET ASSETS</b>	<b>\$ 3,933,239</b>	<b>\$ 6,155,357</b>	<b>\$ 10,088,596</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF INCOME, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Sales	\$ 1,064,531	\$ 869,569	\$ 1,934,100
Other Operating Revenues	25,315	6,286	31,601
<b>TOTAL OPERATING REVENUES</b>	<u>1,089,846</u>	<u>875,855</u>	<u>1,965,701</u>
<b>OPERATING EXPENSES</b>			
Depreciation & Amortization	284,859	367,617	652,476
Purchased Water	67,302	-	67,302
Operation Labor	220,875	154,572	375,447
Taxes & Benefits	157,733	110,069	267,802
Administrative & General Salaries	60,351	61,756	122,107
Telephone Expense	11,866	3,481	15,347
Supplies Expense	30,463	27,370	57,833
General Expenses	17,759	21,718	39,477
Power Purchased	54,058	43,413	97,471
Maintenance and Repairs	85,694	59,114	144,808
Chemicals	32,591	-	32,591
Meter Reading	26,410	-	26,410
Outside Services	37,502	60,708	98,210
Property Insurance	41,588	28,797	70,385
<b>TOTAL OPERATING EXPENSES</b>	<u>1,129,051</u>	<u>938,615</u>	<u>2,067,666</u>
<b>OPERATING INCOME (LOSS)</b>	(39,205)	(62,760)	(101,965)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	11,747	17,769	29,516
Interest Expense	(150,292)	(144,771)	(295,063)
In Kind OPEB Contribution	10,388	7,219	17,607
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(128,157)</u>	<u>(119,783)</u>	<u>(247,940)</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	(167,362)	(162,543)	(349,905)
<b>CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>CHANGE IN NET ASSETS</b>	(67,362)	(162,543)	(249,905)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,933,239</u>	<u>6,155,357</u>	<u>10,088,596</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,865,877</u>	<u>\$ 5,972,814</u>	<u>\$ 9,838,691</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF INCOME, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Sales	\$ 1,043,689	\$ 920,801	\$ 1,964,490
Other Operating Revenues	20,665	15,580	36,245
<b>TOTAL OPERATING REVENUES</b>	<u>1,064,354</u>	<u>936,381</u>	<u>2,000,735</u>
<b>OPERATING EXPENSES</b>			
Depreciation & Amortization	171,920	368,936	540,856
Purchased Water	65,092	-	65,092
Operation Labor	232,861	147,362	380,223
Taxes & Benefits	145,350	92,650	238,000
Administrative & General Salaries	59,750	57,970	117,720
Telephone Expense	12,186	3,222	15,408
Supplies Expense	19,112	42,320	61,432
General Expenses	20,208	28,703	48,911
Power Purchased	56,262	43,592	99,854
Maintenance and Repairs	102,586	151,079	253,665
Chemicals	25,749	-	25,749
Meter Reading	51,873	-	51,873
Outside Services	26,016	32,449	58,465
Property Insurance	22,538	20,850	43,388
<b>TOTAL OPERATING EXPENSES</b>	<u>1,011,503</u>	<u>989,133</u>	<u>2,000,636</u>
<b>OPERATING INCOME (LOSS)</b>	52,851	(52,752)	99
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	17,101	27,525	44,626
Interest Expense	(155,150)	(146,117)	(301,267)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(138,049)</u>	<u>(118,592)</u>	<u>(256,641)</u>
<b>CHANGE IN NET ASSETS</b>	(85,198)	(171,344)	(256,542)
<b>NET ASSETS - BEGINNING OF YEAR - RESTATED</b>	<u>4,018,437</u>	<u>6,326,701</u>	<u>10,345,138</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,933,239</u>	<u>\$ 6,155,357</u>	<u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,068,367	\$ 878,564	\$ 1,946,931
Cash Received from Other Operating Reserves	25,315	6,286	31,601
Cash Payments for Operation & Maintenance Expenses	(395,617)	(244,081)	(639,698)
Cash Payments to Employees for Services	(312,622)	(217,463)	(530,085)
Cash Payments for Payroll Taxes & Benefits	(146,853)	(100,394)	(247,247)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>238,590</b>	<b>322,912</b>	<b>561,502</b>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Change in Customer Deposits	(3,933)	(459)	(4,392)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(3,933)</b>	<b>(459)</b>	<b>(4,392)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	(1,121,647)	(146,270)	(1,267,917)
Capital Grants Received	100,000	-	100,000
Principal Advances on Bonds & Notes	1,104,438	-	1,104,438
Principal Paid on Bonds & Notes	(241,331)	(236,175)	(477,506)
Interest Paid on Bonds	(150,688)	(144,593)	(295,281)
Advances From (To) Other Department	12,000	(12,000)	-
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(297,130)</b>	<b>(539,035)</b>	<b>(836,218)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	11,747	17,759	29,516
Deposits to Municipal Bond Commission	(387,270)	(233,525)	(620,795)
Disbursements from Municipal Bond Commission	443,174	321,584	764,758
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>67,651</b>	<b>105,828</b>	<b>173,479</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,128</b>	<b>(110,757)</b>	<b>(105,629)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>85,938</b>	<b>525,065</b>	<b>611,033</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 91,066</b>	<b>\$ 414,308</b>	<b>\$ 505,404</b>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>			
Unrestricted - Cash	\$ 51,397	\$ 22,790	\$ 74,187
Restricted Cash - Depreciation Fund	271	23,919	24,190
Restricted Cash - Customer Deposits	36,558	2,401	59,959
Restricted Cash - Construction Fund	870	346,198	347,068
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 91,066</b>	<b>\$ 414,308</b>	<b>\$ 505,404</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (39,205)	\$ (62,760)	\$ (101,965)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation & Amortization	284,859	367,617	652,476
OPEB In Kind Expense	10,368	7,219	17,607
Changes In Assets And Liabilities			
(Increase) Decrease In Accounts Receivable	3,836	8,995	12,831
(Increase) Decrease In Prepaid Expenses	(13,047)	(11,179)	(24,226)
Increase (Decrease) In Accounts Payable	(12,916)	4,460	(8,436)
Increase (Decrease) In Taxes & Withholding Payable	10,880	9,675	20,555
Increase (Decrease) In Compensated Absences	(6,205)	(1,135)	(7,340)
Total Adjustments	277,795	385,672	663,467
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 238,590</b>	<b>\$ 322,912</b>	<b>\$ 561,502</b>
<b>NONCASH ACTIVITIES FROM INVESTING ACTIVITIES</b>			
OPEB In Kind Revenue	<b>\$ 10,388</b>	<b>\$ -</b>	<b>\$ 10,388</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,040,302	\$ 918,911	\$ 1,959,213
Cash Received from Other Operating Reserves	20,665	15,580	36,245
Cash Payments for Operation & Maintenance Expenses	(339,656)	(318,463)	(658,119)
Cash Payments to Employees for Services	(338,820)	(207,609)	(546,429)
Cash Payments for Payroll Taxes & Benefits	(141,401)	(96,383)	(237,784)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>241,090</b>	<b>312,036</b>	<b>553,126</b>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Change in Customer Deposits	6,549	593	7,142
<b>NET CASH PROVIDED BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>6,549</b>	<b>593</b>	<b>7,142</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Acquisition And Construction Of Capital Assets	(2,401,256)	-	(2,401,256)
Principal Advances on Bonds & Notes	2,040,448	-	2,040,448
Principal Paid on Bonds & Notes	(113,264)	(236,152)	(349,416)
Interest Paid on Bonds	(155,726)	(146,272)	(301,997)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(629,797)</b>	<b>(382,424)</b>	<b>(1,012,221)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	17,101	27,526	44,626
Deposits to Municipal Bond Commission	(247,643)	(310,782)	(558,425)
Disbursements from Municipal Bond Commission	251,528	300,350	551,878
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>20,986</b>	<b>17,093</b>	<b>38,079</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(361,172)</b>	<b>(52,702)</b>	<b>(413,874)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>447,140</b>	<b>577,767</b>	<b>1,024,907</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 85,968</b>	<b>\$ 525,065</b>	<b>\$ 611,033</b>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>			
Unrestricted Cash	\$ 9,465	\$ 14,857	\$ 24,322
Restricted Cash - Depreciation Fund	10,890	26,253	37,143
Restricted Cash - Customer Deposits	12,645	21,604	34,249
Restricted Cash - Construction Fund	23,958	462,151	486,109
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 56,958</b>	<b>\$ 525,065</b>	<b>\$ 611,033</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 52,851	\$ (52,752)	\$ 99
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation & Amortization	171,920	368,936	540,856
Changes In Assets And Liabilities:			
(Increase) Decrease In Accounts Receivable	(3,387)	(1,890)	(5,277)
Increase (Decrease) In Accounts Payable	13,246	3,752	16,998
Increase (Decrease) In Taxes & Withholding Payable	3,949	(3,733)	216
Increase (Decrease) In Compensated Absences	2,511	(2,277)	234
Total Adjustments	188,239	364,788	553,027
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 241,090</b>	<b>\$ 312,036</b>	<b>\$ 553,126</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of Entity - The Flatwoods - Canoe Run Public Service District was created by the Braxton County Commission in 1972 (water) and 1991 (sewer). The Public Service District was created to provide water and sewer service to all portions of Braxton County, West Virginia, and this represents the customer base of the District.

Measurement Focus Basis of Accounting And Financial Statement Presentation - The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Districts also have the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District has two major funds. The statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the District. Principal operating revenues for the District are charges to customers for sales or services and tap fees intended to recover the cost of connecting new customers to the system. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then the unrestricted resources as needed. See Note 2 for information describing restricted assets.

Cash - Cash is on deposit with different institutions which are F.D.I.C. insured. For purposes of the statement of cash flows, the District considers cash and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents only. At various times throughout the year, the District had amounts in banks that exceeded F.D.I.C. coverage and pledged assets. This represents a potential for loss. The District is authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: commercial paper rated A-1 by Standard & Poor's Corporation or by P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements. The District is also authorized to enter into reverse repurchase agreements.

All carrying values are the same as market value.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Cash and cash equivalents are composed of the following:

June 30, 2008	Amount	Interest Rate	Maturity Date
Checking	\$ 51,121	0%	N/A
Checking	(3)	0%	N/A
Checking	279	0%	N/A
Savings	38,558	.25%	N/A
Savings	271	0%	N/A
Checking	870	0%	N/A
Checking	21,401	.25%	N/A
Savings	23,919	.25%	N/A
Checking	150	0%	N/A
Checking	22,790	0%	N/A
Savings	346,048	1.5%	N/A
Total Cash & Cash Equivalents	<u>\$ 505,404</u>		

Unrestricted Cash & Cash Equivalents	\$ 74,187
Restricted Cash & Cash Equivalents	<u>431,217</u>
Total	<u>\$ 505,404</u>

June 30, 2007	Amount	Interest Rate	Maturity Date
Checking	\$ 7,983	0%	N/A
Checking	474	0%	N/A
Checking	28	0%	N/A
Savings	42,645	.25%	N/A
Checking	23,958	0%	N/A
Savings	10,880	.25%	N/A
Checking	21,804	.25%	N/A
Savings	26,253	.25%	N/A
Checking	13,057	0%	N/A
Checking	14,114	0%	N/A
Checking	743	70%	N/A
Savings	449,094	4.75%	N/A
Total Cash & Cash Equivalents	<u>\$ 611,033</u>		

Unrestricted Cash & Cash Equivalents	\$ 23,342
Restricted Cash & Cash Equivalents	<u>587,691</u>
Total	<u>\$ 611,033</u>

Inventory - The District does not maintain an inventory. Supplies are purchased on an as needed basis.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts Receivable and Bad Debts - Accounts Receivable at June 30, 2008 and June 30, 2007 totaled \$202,380 and \$215,211. The balance in the allowance for uncollectible accounts at June 30, 2008 and June 30, 2007 totaled \$13,099.

Income Tax - The Flatwoods - Canoe Run Public Service District is exempt from federal and state income taxes as a political subdivision of county government.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Capital and Capital Grants - Proprietary Funds - Grants, entitlements and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As required by GASB 33, the District has recognized capital contributions as revenue rather than as contributed capital.

Customer Deposits - Customer deposits are refunded after bills for service have been paid on time for twelve consecutive months.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Net Assets - Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

2. **RESTRICTED CASH**

These accounts represent amounts that are restricted in their use. The Depreciation Fund and the Debt Reserve are requirements of the bond covenants. All other restricted cash accounts are the result of water and sewer construction activity and the WV Public Service Commission. The accounts for the sewer and water revenue bonds as of June 30, 2008 and June 30, 2007 had a balance of \$369,806 and \$526,711. The balance of accounts restricted for construction and customer deposits as of June 30, 2008 and June 30, 2007 was \$407,027 and \$550,558.

The District has four letters of credit amounting to \$292,805 to cover the sewer's deficiency in reserve accounts. The interest rate on these letters of credit is 12%.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**3. CAPITAL ASSETS AND DEPRECIATION**

Water

Capital Assets are stated at original cost. All assets are capitalized.

Changes in the Capital Assets account are as follows.

	<u>Balance</u> 6/30/07	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u> 6/30/08
Capital Assets Not Depreciated:				
Land & Construction Work in Progress	\$ 6,923,007	\$ -	\$ (6,886,646)	\$ 36,361
Capital Assets Depreciated:				
Structures & Improvements	57,558	-	-	57,558
Booster Stations	1,007,879	-	-	1,007,879
Pumping Equipment	9,167	-	-	9,167
Reservoirs and Standpipe	325,262	-	-	325,262
Transmissions & Distribution				
Mains	6,248,371	5,936,593	-	12,184,964
Services	44,977	336,191	-	381,168
Meters	54,217	231,422	-	285,639
Hydrants	-	74,275	-	74,275
Other Transmission & Distribution	3,159	-	-	3,159
Office Furniture and Equipment	7,243	200	-	7,443
Transportation Equipment	97,427	-	-	97,427
Shop Equipment	27,703	-	-	27,703
Communications Equipment	7,298	-	-	7,298
Power Operated Equipment	20,026	-	-	20,026
Water Treatment Equipment	6,230	-	-	6,230
Total Capital Assets, Depreciated	<u>6,908,638</u>	<u>7,586,560</u>	<u>-</u>	<u>14,495,188</u>
Accumulated Depreciation	<u>(1,774,203)</u>	<u>(279,711)</u>	<u>-</u>	<u>(2,053,914)</u>
Other Capital Assets Net of Accumulated Depreciation	<u>\$ 5,134,435</u>	<u>\$ 7,306,849</u>	<u>\$ -</u>	<u>\$ 12,441,284</u>

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**3. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

	Balance 6/30/06	Additions	Reclassifications	Balance 6/30/07
Capital Assets Not Depreciated:				
Land & Construction Work in Progress	\$ 4,447,497	\$ 2,475,510	-	\$ 6,923,007
Capital Assets Depreciated:				
Structures & Improvements	57,558	-	-	57,558
Pumping Equipment	9,167	-	-	9,167
Reservoirs and Standpipe	325,262	-	-	325,262
Transmissions & Distribution				
Mains	6,241,291	7,080	-	6,248,371
Services	44,977	-	-	44,977
Meters	54,217	-	-	54,217
Other Transmission & Distribution	3,159	-	-	3,159
Office Furniture and Equipment	7,243	-	-	7,243
Transportation Equipment	94,063	3,364	-	97,427
Shop Equipment	22,703	5,000	-	27,703
Communications Equipment	7,298	-	-	7,298
Power Operated Equipment	20,026	-	-	20,026
Water Treatment Equipment	6,230	-	-	6,230
Total Capital Assets, Depreciated	6,893,194	15,444	-	6,908,638
Accumulated Depreciation	(1,607,431)	(166,772)	-	(1,774,203)
Other Capital Assets Net of Accumulated Depreciation	\$ 5,285,763	\$ (151,328)	-	\$ 5,134,435

Part of the cost of Capital Assets is charged against earnings each year as depreciation expense. The useful lives employed in the computation of depreciation expense using the straight-line method are as follows:

	Estimated Life
Structures Transmissions Mains	10-40 years
Pumping Equipment	15 years
Services and Meters	10-40 years
Office Furniture and Equipment	5-20 years
Reservoirs and Standpipes	40 years
Booster Stations	25 years
Hydrants	20 years

Sewer

Capital Assets are stated at original cost. All assets are capitalized.

Changes in the Capital Assets account are as follows:

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**3. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

	Balance 6/30/07	Additions	Balance 6/30/08
Capital Assets Not Depreciated:			
Land & Construction Work in Progress	\$ 126,570	\$ 418,441	\$ 545,011
Capital Assets Depreciated:			
Structures & Improvements	7,490	-	7,490
Pumping Equipment	143,838	25,161	168,999
Collecting Mains	29,306	-	29,306
Services	1,866	-	1,866
Office Furniture and Equipment	34,641	-	34,641
Transportation Equipment	41,188	-	41,188
Shop Equipment	43,780	-	43,780
Treatment Plant	13,748,280	-	13,748,280
Total Capital Assets, Depreciated	14,050,389	25,161	14,075,550
Accumulated Depreciation	(4,692,027)	(367,617)	(5,059,644)
Other Capital Assets Net of Accumulated Depreciation	\$ 9,358,362	\$ (342,456)	\$ 9,015,906
	Balance 6/30/06	Additions	Balance 6/30/07
Capital Assets Not Depreciated:			
Land & Construction Work in Progress	\$ 106,363	\$ 20,207	\$ 126,570
Capital Assets Depreciated:			
Structures & Improvements	7,490	-	7,490
Pumping Equipment	143,838	-	143,838
Collecting Mains	29,306	-	29,306
Services	1,866	-	1,866
Office Furniture and Equipment	34,641	-	34,641
Transportation Equipment	41,188	-	41,188
Shop Equipment	43,780	-	43,780
Treatment Plant	13,748,280	-	13,748,280
Total Capital Assets, Depreciated	14,050,389	-	14,050,389
Accumulated Depreciation	(4,323,092)	(368,935)	(4,692,027)
Other Capital Assets Net of Accumulated Depreciation	\$ 9,727,297	\$ (368,935)	\$ 9,358,362

Part of the cost of Capital Assets is charged against earnings each year as depreciation expense. The useful lives employed in the computation of depreciation expense using the straight-line method are as follows:

	Estimated Life
Collecting Mains	10-40 years
Structures & Improvements	10-30 years
Pumping Equipment	7-15 years
Services	10-20 years
Office Furniture and Equipment	5-10 years
Treatment Plant	40 years

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE

Water

- 1 1996 Revenue Bonds payable at 4.875% interest to the United States Department of Agriculture – Farmers Home Administration (Rural Development) due through 2036, payable in monthly installments of \$1,160, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
- 2 1996 Revenue Bonds payable at 4.875% interest to the United States Department of Agriculture – Farmers Home Administration, due through 2036, payable in monthly installments of \$339, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
- 3 1998 Revenue Bonds payable at 3% interest to the West Virginia Infrastructure Fund, due through 2038, payable in quarterly installments of \$9,666, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
- 4 2001 Water Revenue Bonds in the principal amount of \$2,240,000 due through 2041 payable in annual installments of \$154,234, with interest paid quarterly of a maximum of 5.65%. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
- 5 In May 2003, the District purchased a new pickup truck and financed it through the Bank of Gassaway on a five year term at 7.5% interest with monthly payments of \$518.14. The truck serves as collateral on this loan. The loan was paid off during the June 30, 2008 fiscal year.
- 6 2005 Series A Water Revenue Bonds in the principal amount of \$5,085,825 due through 2045 from West Virginia Infrastructure Fund payable in quarterly installments of \$33,241 with 0% interest. As of June 30, 2008 and June 30, 2007, \$4,952,862 and \$4,929,210 of the loan has been drawn down. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
- 7 2005 Series B Water Revenue Bonds in the principal amount of \$84,150 due through 2007 payable in two installments with interest at 5%. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system. These bonds were paid off during the June 30, 2008 fiscal year.
- 8 Note payable with De Lage Landen financing for the purchase of a Sullair Compressor with twelve monthly payments of \$903 at 0% interest. This note was paid off during the June 30, 2008 fiscal year.
- 9 2007 Series A Water Revenue Bonds in the principal amount of not more than \$1,014,000 due through 2048, from the WV Infrastructure Fund payable in quarterly installments of \$6,541 with 0% interest. As of June 30, 2008 and June 30, 2007, \$976,621 and \$28,750 of the loan has been drawn down. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007

4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE (CONTINUED)

Sewer

1. 1990-A Revenue Bonds payable at 8.10% interest to the West Virginia Water Development Authority, due through 2029, payable in annual installments of \$98,066, including interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
2. 1990-B Supplement Revenue Bonds payable to the West Virginia Water Development Authority, due through 2029, payable in annual installments of \$1,364, without interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
3. 1991-A Revenue Bonds payable at 7.75% interest to the West Virginia Water Development Authority, due through 2031, payable in annual installments of \$22,188, including interest, on October 1<sup>st</sup> of each year. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
4. 1991-B Supplemental Revenue Bonds payable to the West Virginia Water Development Authority, due through 2031, payable in annual installments of \$236, without interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
5. 1990-C Bond payable at 5.0% interest to the United States Department of Agriculture -- Farmers Home Administration (Rural Development), due through 2030, payable in monthly installments of \$5,490, including interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
6. 1994 Revenue Bonds payable to the West Virginia Division of Environmental Protection (Water Pollution Control Revolving Fund Loan), due through 2014, payable in quarterly installments of \$38,105, without interest. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system.
7. 1997 Revenue Bonds payable to the West Virginia Division of Environmental Protection (Water Pollution Control Revolving Fund Loan), due through 2018, payable in quarterly installments of \$5,000, without interest. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system.
8. The District has a \$103,661 construction line of credit with the Bank of Gassaway, which supports borrowing arrangements from the State Revolving Loan Fund. The interest rate on the line of credit is 8% per annum. The line of credit is unsecured.
9. 2006 Bond Anticipation Note with BB&T in the amount of \$509,800. Interest only payments currently, principal to be repaid February 28, 2009. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system. The interest rate is 3.97%.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008 AND JUNE 30, 2007

4. LONG - TERM LIABILITIES - BONDS AND NOTES PAYABLE (CONTINUED)

Water	Balance 6/30/07	Advances	Principal Reduction	Balance 6/30/08
1996 Series A	\$ 215,023	\$ -	\$ 3,682	\$ 211,341
1996 Series B	62,625	-	1,087	61,538
1998 Series B	782,295	-	15,365	766,930
2001	2,085,000	-	40,000	2,045,000
Bank of Gassaway	5,500	-	5,500	-
2005 Series A	4,929,210	156,615	132,963	4,952,862
2005 Series B	42,734	-	42,734	-
2007 Series A	28,750	947,871	-	976,621
<b>Total</b>	<b>\$ 8,151,137</b>	<b>\$ 1,104,486</b>	<b>\$ 241,331</b>	<b>\$ 9,014,292</b>

Water	Balance 6/30/06	Advances	Principal Reduction	Balance 6/30/07
1996 Series A	\$ 218,395	\$ -	\$ 3,372	\$ 215,023
1996 Series B	63,620	-	995	62,625
1998 Series B	797,208	-	14,913	782,295
2001	2,125,000	-	40,000	2,085,000
Bank of Gassaway	11,052	-	5,552	5,500
2005 Series A	2,917,512	2,011,698	-	4,929,210
2005 Series B	84,180	-	41,446	42,734
2007 Series A	-	28,750	-	28,750
De Lage Landen	6,976	-	6,976	-
<b>Total</b>	<b>\$ 6,223,953</b>	<b>\$ 2,040,448</b>	<b>\$ 113,264</b>	<b>\$ 8,151,137</b>

Water	June 30, 2008		June 30, 2007	
	Due Within One Year	Principal & Interest Payments Made	Due Within One Year	Principal & Interest Payments Made
Bond				
1996 Series A	\$ 3,699	\$ 13,920	\$ 3,515	\$ 13,920
1996 Series B	1,092	4,068	1,038	4,068
1998 Series B	15,831	38,662	15,365	38,663
2001	38,691	154,234	36,430	154,233
Bank of Gassaway	-	-	5,500	6,216
2005 Series A	132,963	132,963	132,963	-
2005 Series B	-	-	42,734	44,618
De Lage Landen	-	-	-	7,275
2007 Series A	24,415	24,415	-	-
<b>Total</b>	<b>\$ 216,691</b>	<b>\$ 368,262</b>	<b>\$ 237,545</b>	<b>\$ 268,995</b>

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**4. LONG - TERM LIABILITIES - BONDS AND NOTES PAYABLE (CONTINUED)**

All bonds are secured by a lien on the net revenues in addition to a statutory mortgage lien on all assets of the District.

Water:

Principal and interest payments on the water bonds are as follows:

Year	Principal	Interest	Total
2009	\$ 216,691	\$ 151,570	\$ 368,261
2010	219,599	148,663	368,262
2011	222,652	145,610	368,262
2012	225,865	142,397	368,262
2013	229,245	139,017	368,262
2014-2018	1,203,395	637,912	1,841,307
2019-2023	1,318,599	522,708	1,841,307
2024-2028	1,467,418	373,890	1,841,308
2029-2033	1,683,986	181,323	1,865,309
2034-2038	1,009,115	18,794	1,027,909
2039-2043	796,483	74	796,557
2044-2048	421,244	-	421,244
<b>Total</b>	<b>\$ 9,014,292</b>	<b>\$ 2,461,958</b>	<b>\$ 11,476,250</b>

Sewer	Balance 6/30/07	Advances	Principal Reduction	Balance 6/30/08
1990 Series A	\$ 1,008,837	\$ -	\$ 16,350	\$ 992,487
1990 Series B	31,378	-	1,364	30,014
1991 Series A	243,372	-	3,453	239,919
1991 Series B	5,894	-	236	5,658
1990 Series C	833,525	-	25,412	808,113
1994	1,143,150	-	152,420	990,730
1997	215,000	-	20,000	195,000
Bank of Gassaway	16,940	-	16,940	-
2006 Bond Anticipation	509,000	-	-	509,000
<b>Total</b>	<b>\$ 4,007,096</b>	<b>\$ -</b>	<b>\$ 236,175</b>	<b>\$ 3,770,921</b>

Sewer	Balance 6/30/06	Advances	Principal Reduction	Balance 6/30/07
1990 Series A	\$ 1,023,962	\$ -	\$ 15,125	\$ 1,008,837
1990 Series B	32,742	-	1,364	31,378
1991 Series A	246,576	-	3,204	243,372
1991 Series B	6,129	-	236	5,894
1990 Series C	857,184	-	23,659	833,525
1994	1,295,570	-	152,420	1,143,150
1997	235,000	-	20,000	215,000
Bank of Gassaway	37,085	-	20,145	16,940
2006 Bond Anticipation	509,000	-	-	509,000
<b>Total</b>	<b>\$ 4,243,248</b>	<b>\$ -</b>	<b>\$ 236,152</b>	<b>\$ 4,007,096</b>

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE (CONTINUED)**

Sewer	June 30, 2008		June 30, 2007	
	Due	Principal &	Due	Principal &
	Within	Interest	Within	Interest
Bond	One Year	Payments Made	One Year	Payments Made
1990 Series A	\$ 17,676	\$ 98,065	\$ 16,350	\$ 97,453
1990 Series B	1,364	1,364	1,364	1,364
1991 Series A	3,595	22,189	3,328	22,189
1991 Series B	235	235	235	235
1990 Series C	26,066	65,880	24,766	65,880
1994	152,420	152,420	152,420	152,420
1997	20,000	22,025	20,000	22,025
Bank of Gassaway	-	-	16,940	20,857
2006 Bond Anticipation	509,000	-	509,800	-
Total	\$ 730,356	\$ 362,179	\$ 745,203	\$ 382,423

Sewer:

Principal and interest payments on the sewer bonds are as follows:

Year	Principal	Interest	Total
2009	\$ 730,356	\$ 140,823	\$ 871,179
2010	224,399	137,780	362,179
2011	227,649	134,530	362,179
2012	231,119	131,060	362,179
2013	234,626	127,354	362,180
2014-2018	700,749	569,652	1,270,401
2019-2023	516,436	422,236	938,672
2024-2028	647,181	228,424	875,605
2029-2033	256,206	38,421	294,627
Total	\$ 3,770,921	\$ 1,930,280	\$ 5,701,201

**5. EMPLOYEES RETIREMENT SYSTEM**

Plan Descriptions Contribution Information and Funding Policies

**Public Employee Retirement System (PERS)**

Flatwoods - Canoe Run Public Service District participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**5. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

	<u>Public Employees Retirement System</u>
Eligibility to participate	All full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 50 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit
Deferred retirement portion	No
Provisions for	
Cost of Living	No
Death Benefits	Yes

*Trend information*

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>		<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
6/30/08	\$	78,016	100%
6/30/07	\$	81,040	100%
6/30/06	\$	71,003	100%

PERS issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5 Room 1000, 1900 Kanawha Boulevard East Charleston, WV 25305.

**6. COMPENSATED ABSENCES**

Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. The liability for accumulated vacation leave has been recorded in accordance with GASB Statement No. 16

District employees earn sick leave benefits which accumulate, but do not vest. The District is not obligated for sick leave and does not record a liability for accumulated sick leave for employees.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**7. SYSTEM USERS**

As of June 30, 2008 and June 30, 2007, Flatwoods - Canoe Run Public Service District served a total of 1,172 and 1,170 sewer and 1,797 and 1,747 water users.

**8. DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. The non-pooled deposits are categorized to give an indication of the level of risk assumed by the Flatwoods - Canoe Run Public Service District at fiscal year end.

The District has no interest rate risk policy.

	June 30, 2008		June 30, 2007	
	Book Balance	Bank Value	Book Balance	Bank Value
<u>Depository Accounts</u>				
Insured	\$ 259,357	\$ 285,002	\$ 252,658	\$ 268,360
Collateralized by securities held by pledging bank's Trust Department in the District's name	-	26,433	358,375	359,957
Uninsured and Uncollateralized	246,047	246,047	-	-
Total Deposits	\$ 505,404	\$ 557,482	\$ 611,033	\$ 628,317

**9. EXTERNAL INVESTMENT POOLS**

The District has 25 accounts with the WV Municipal Bond Commission. These funds are invested in the Government Money Market Pool at the Investment Management Board through the West Virginia State Treasury which is a special revenue agency of State Government. It is under the management of an outside professional investment manager who has managed the investments for more than 16 years. This pool is limited to full faith and credit US Treasury investment of less than 13 months maturity, and has an average maturity of 90 days. The pool is a variable rate pool in which interest rates fluctuate monthly. Accounts receive credit from the date of deposit to the date of withdrawal, and interest distribution is calculated on the basis of average daily balance. No interest is earned by accounts with an average monthly balance of less than \$50. Interest is calculated and posted to each account on the first day of the following month by computer.

The following is a statement of interest earnings for the funds of the Commission which were invested in the Pool at the Investment Management Board:

June 2007	5.113%	October 2007	4.79%	February 2008	3.58%
July 2007	5.11%	November 2007	4.67%	March 2008	3.16%
August 2007	5.18%	December 2007	4.57%	April 2008	2.59%
September 2007	5.01%	January 2008	4.31%	May 2008	2.33%

The average interest rate for the years was 4.20%.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**9. EXTERNAL INVESTMENT POOLS (CONTINUED)**

The MBC accounts are composed of the following:

June 30, 2008	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
MBC Revenue Account	\$ 79,258	\$ 3,928	\$ 83,186
MBC Reserve Account	<u>214,134</u>	<u>48,296</u>	<u>262,430</u>
Total	\$ <u>293,392</u>	\$ <u>52,224</u>	\$ <u>345,616</u>

June 30, 2007	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
MBC Revenue Account	\$ 127,472	\$ 71,344	\$ 198,816
MBC Reserve Account	<u>221,824</u>	<u>26,253</u>	<u>248,077</u>
Total	\$ <u>349,296</u>	\$ <u>97,597</u>	\$ <u>446,893</u>

**10. RISK MANAGEMENT**

All losses are covered by commercial insurance except for employee injuries which are covered by the Brickstreet Insurance Company. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**11. BOND ISSUANCE COSTS**

Bond issuance costs are being amortized over the life of the loan. Amortization expense for the period was \$5,147.

**12. CONSTRUCTION PROJECT**

As of June 30, 2008 and June 30, 2007, the District was working on two water line extension projects. Both water projects were completed by June 30, 2008. The following amount remained in the contracts as of June 30, 2008 and June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	<u>Outstanding Balance</u>	<u>Outstanding Balance</u>
Water Expansion	\$ -	\$ 728,839

**13. ACCRUED CONDEMNATION SETTLEMENTS – SEWER FUND**

As of June 30, 2008 and June 30, 2007, the District was involved in several property condemnation proceedings with regard to the sewer collector system. Based upon local real estate appraisal management estimates that the total settlement costs relating to these property condemnation proceedings will be approximately \$18,051.

**14. SIGNIFICANT CUSTOMERS**

At June 30, 2008 and June 30, 2007, Flatwoods – Canoe Run Public Service District had sales to one customer that exceeded 10% of its gross sales for the years then ended. The following is a list of sales to this customer:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Sales</u>	<u>% of Sales</u>	<u>Sales</u>	<u>% of Sales</u>
Customer A	\$ 224,440	21%	\$ 219,844	21%

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**15. TECHNICAL DEFAULT**

Flatwoods - Canoe Run Public Service District is in technical default on their bonds because of the failure to have adequate debt service coverage as of June 30, 2008 and June 30, 2007. The bondholders have a right to call for payment of the bonds, thus making the bond liability a short-term obligation. However, the bondholders have given no indication of exercising their right, and the liability is classified as long-term less the current portion on the statement of net assets.

**16. PRIOR PERIOD ADJUSTMENT- JUNE 30, 2007**

	Water	Sewer
Beginning Net Assets	\$ 2,550,446	\$ 6,366,544
Adjustments		
Accrued Interest	(32,009)	(20,735)
Construction Work in Progress	1,500,000	-
Sewer Anticipation Note	-	5,363
Municipal Bond Commission	-	(24,471)
	<u>\$ 4,018,437</u>	<u>\$ 6,326,701</u>
Beginning Net Assets Restated	\$ 4,018,437	\$ 6,326,701

This resulted in an increase of \$1,473,354 in prior year change in net assets

**17. INTERFUND BALANCES**

Interfund balances were used for construction activities

**18. OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits, resolutions of the District and State statutes have provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries through the WV Public Employee Insurance Agency. The District funds all District contributions on a pay-as-you-go basis. Such benefits are primarily funded through payments from the District's Operating Fund. Post-retirement benefits consist of health care benefits and life insurance for covered employees.

*Funding Policy.* The District's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the District contributed \$31,716 to the plan. Employees are not required to make contributions for basic life insurance.

*Annual OPEB Cost.* The District's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**18. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the District's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation for twelve covered employees and no retired employees.

Annual required contribution	\$	67,315
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
		<hr/>
Annual OPEB cost		67,315
Contributions made		(49,322)
		<hr/>
Increase (decrease) in net OPEB obligation		17,993
Net OPEB obligation (asset) beginning of year		-
Net OPEB obligation (asset) end of year	\$	<hr/> <u>17,993</u>
Actuarial valuation date		6/30/07
Actuarial cost method		Entry Age
Amortization method		Level Dollar
Asset valuation method		Smoothed Market Approach
Remaining amortization period		30 years
Actuarial assumptions:		
Investment rate of return		4.5%
Projected salary increases -1		4.6%-5.6%
Health care inflation rate		9.3% in 2008, grading to 6% in 2027

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008 AND JUNE 30, 2007

18. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2008	\$ 67,315	73%	\$ 17,993
June 30, 2007	N/A	N/A	N/A
June 30, 2006	N/A	N/A	N/A

N/A – Not Applicable. 2006 is implementation year for GASB Statement No. 45

GASB Statement No. 45 was applied prospectively.

PEIA issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Insurance Association, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



## Bennett & Dobbins PLLC

CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue  
Fairmont, WV 26554-1604  
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA  
ZACHARY D. DOBBINS, CPA

January 5, 2009

Board of Directors  
Flatwoods - Canoe Run Public Service District  
Sutton, West Virginia

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Flatwoods - Canoe Run Public Service District as of and for the year ended June 30, 2008 and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Flatwoods - Canoe Run Public Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flatwoods - Canoe Run Public Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Flatwoods - Canoe Run Public Service District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as items 08-1 and 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flatwoods - Canoe Run Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, 08-10 and 08-11.

Flatwoods - Canoe Run Public Service District responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Flatwoods - Canoe Run Public Service District responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors of Flatwoods - Canoe Run Public Service District, the Public Service Commission of West Virginia, WV State Auditors Office, WV Water Development Authority and Rural Development and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with West Virginia Code 6-9-9a, this report is a matter of public record and its distribution is not limited.

*Bennett & Dobbins PLLC*  
Bennett & Dobbins PLLC

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2008**

08-1

**SEGREGATION OF DUTIES**

CONDITION:

Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals. This is a repeat finding from prior years.

CRITERIA:

An internal control system that has appropriate segregation of duties. The Organization has implemented limited controls with the available staff.

CAUSE:

The Organization has limited staff to segregate duties properly.

EFFECT:

Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

RECOMMENDATION:

Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, we recognize that complete segregation of duties is not economically feasible for the Organization.

RESPONSE OF OFFICIALS:

The Board will segregate duties as much as possible with the limited staff available.

08-2

**MUNICIPAL BOND COMMISSION RECONCILIATIONS**

CONDITION:

It was determined during this examination that the Organization failed to reconcile Municipal Bond Commission statements to the general ledger.

CRITERIA:

Adequate internal control dictates that Municipal Bond Commission reconciliations be prepared and reconciled to the general ledger for all accounts.

CAUSE:

The Organization does not reconcile general ledger investments with the Municipal Bond Commission statement.

EFFECT:

There was a material misstatement in the general ledger.

RECOMMENDATION:

Municipal Bond Commission statements should be reconciled on a quarterly basis and the amount agreed to the general ledger balance for investments.

RESPONSE OF OFFICIALS:

The Organization will correct this finding.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-3

**PLEDGING OF COLLATERAL FOR CASH ACCOUNT**

CONDITION

It was noted during the audit the District has cash accounts in excess of F.D.I.C. coverage without adequate pledged assets that is in violation of WV Code Section 12-1-5. This is a repeat finding from prior years

CRITERIA

The bank would pledge a surety bond to cover the excess amounts.

CAUSE

The bank failed to issue an adequate bond for pledging

EFFECT

The cash balances at June 30, 2008 were not adequately protected.

RECOMMENDATION

The District should assure itself that at least quarterly all of its cash assets in excess of F.D.I.C. coverage are collaterally pledged at the financial institutions.

RESPONSE OF OFFICIALS

The District will get the necessary coverage.

08-4

**FAILURE TO ADOPT A BUDGET**

CONDITION

The District did not adopt a budget by May 15, 2008 for the next fiscal year as required by the bond covenants. This is a repeat finding from prior years.

CRITERIA

A budget must be adopted 30 days prior to year end.

CAUSE

Review of Board minutes revealed the District failed to adopt the budget for the fiscal year as required by the bond covenants until June, 2008.

EFFECT

The District has no spending plan for the fiscal year as required by state law in a timely manner

RECOMMENDATION

The Board of Directors are directed to adopt a tentative budget for the ensuing fiscal year forty five days prior to the beginning of the each fiscal year as required by the bond covenants.

RESPONSE OF OFFICIALS

The manager is currently working toward adopting a budget on a timely basis

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-5

**DEBT SERVICE COVERAGE**

CONDITION:

The bond covenant requires 115% debt service coverage for water and sewer. The District's current coverage is 88% for sewer and 71% for water. This is a repeat finding from prior years.

CRITERIA

Adequate rates will be maintained to achieve the required coverage.

CAUSE:

Insufficient rates.

EFFECT:

Violation of bond covenant that results in technical default on the bond

RECOMMENDATION

The District should seek a rate increase to cure this technical default.

RESPONSE OF OFFICIALS:

The District is applying for a rate increase in the sewer fund and just implemented a water rate increase.

08-6

**NON-FILING OF MONTHLY FINANCIAL REPORT**

CONDITION

During compliance testing it was noted the monthly financial reports were not being filed as required. This is a repeat finding from prior years.

CRITERIA

As a requirement of the WV Water Development Authority loan agreement the District is required to file monthly financial reports by the 10<sup>th</sup> day of each month commencing on the date contracts are executed and two years following the completion of the project.

CAUSE

Unknown

EFFECT

This could result in the District not being able to obtain further funding from WV Water Development Authority.

RECOMMENDATION

The District should immediately begin filing the monthly financial reports.

RESPONSE OF OFFICIALS

The District will begin filing the required form on a monthly basis for the prescribed time frame in the loan agreement.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-7

**UNAUTHORIZED EXPENDITURES**

CONDITION:

The District paid cash to a retiree.

CRITERIA:

The District would pay employees in the form of a paycheck

CAUSE:

Lack of knowledge of the IRS Rules

EFFECT:

The District has made purchases in violation of law.

RECOMMENDATION:

Discontinue this practice in the future.

RESPONSE OF OFFICIALS

The Board will discontinue this practice in the future.

08-8

**INSUFFICIENT RATES – WATER SYSTEM**

CONDITION:

It was noted during this audit that the rates the District charges for water service are not sufficient to provide adequate debt service coverage.

CRITERIA

West Virginia Code 8-19-4 states in part that.

The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due and reasonable reserves therefore and to provide for the repair, maintenance, and operation of the waterworks or electric power system and to provide an adequate depreciation fund and to make any other payments which shall be required or provided for in the order authorizing the issuance of said bonds "

CAUSE

The District did not establish water rates high enough to meet all general obligations of the water and sewer system.

EFFECT

The violation caused the District to incur a net loss in the Water Fund for the current year and to be in violation of the state code.

RECOMMENDATION

The District officials are directed to review this statute and comply with the provisions set forth therein.

RESPONSE OF OFFICIALS

The District received a rate increase subsequent to year end

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-9

**INSUFFICIENT RATES – SEWER SYSTEM**

CONDITION:

It was noted during this audit that the rates the District charges for sewer service are not sufficient to provide adequate debt service coverage.

CRITERIA:

West Virginia Code 8-19-4 states in part that.

"... The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefore, and to provide for the repair, maintenance, and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the order authorizing the issuance of said bonds."

CAUSE:

The District did not establish sewer rates high enough to meet all general obligations of the water and sewer system.

EFFECT:

The violation caused the District to incur a net loss in the Sewer Fund for the current year and to be in violation of the state code

RECOMMENDATION:

The District officials are directed to review this statute and comply with the provisions set forth therein.

RESPONSE OF OFFICIALS:

The District received a rate increase in the sewer fund subsequent to the end of the year

08-10

**RESERVE FUND- WATER & SEWER**

CONDITION:

The bond covenants require payments to a reserve fund until it reaches the required amount by the bond covenant. As of June 30, 2008 there were insufficient funds and letters of credit for these accounts

CRITERIA:

These accounts would be funded in accordance with the bond covenants

CAUSE:

The District did not have adequate operating revenues

EFFECT:

The District did not have adequate operating revenues

RECOMMENDATION:

The District should fund this account

RESPONSE OF OFFICIALS:

Per discussion with the District this account is currently being funded.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-11

**UNAUTHORIZED EXPENDITURES**

CONDITION

The District purchased flowers in violation of WV Code Section 11-8-26.

CRITERIA

The District would pay for flowers personally

CAUSE

Lack of knowledge of State Code.

EFFECT

The District has made purchases in violation of law

RECOMMENDATION

Discontinue this practice in the future.

RESPONSE OF OFFICIALS

The Board will discontinue this practice in the future.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Title</u>	<u>Status</u>
07-1	Segregation of Duties	Uncorrected
07-2	Pledging of Collateral for Cash Account	Uncorrected
07-3	Failure to Adopt a Budget	Uncorrected
07-4	Debt Service Coverage	Uncorrected
07-5	Non-Filing of Monthly Financial Report	Uncorrected

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APPENDIX C

Form of Opinion of Bond Counsel

August 21, 2009

Flatwoods-Canoe Run Public Service District (West Virginia)  
Water Revenue Bonds, Series 2009 A (Bank Qualified)

Flatwoods-Canoe Run Public Service District      West Virginia Water Development Authority  
Sutton, West Virginia                                      Charleston, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Flatwoods-Canoe Run Public Service District (West Virginia) (the "Issuer") of its \$ \_\_\_\_\_ in aggregate principal amount Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds").

The Series 2009 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on August 10, 2009, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on August 10, 2009 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2009 A Bonds are issued in fully registered form, are dated August 21, 2009, upon original issuance, mature on September 1 in years and amounts and bear interest payable each March 1 and September 1, commencing September 1, 20 \_\_, as follows:

<u>Bond No.</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>
-----------------	------------------------------------	-------------------------	----------------------	------------------

The Series 2009 A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Series 2009 A Bonds are issued for the purposes of (i) paying the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) funding the Series 2009 A Bonds Reserve account; (iii) capitalizing a portion of the interest due on the Series 2009 A Bonds to September 1, 20\_\_; and (iv) paying the costs of issuance of the Series 2009 A Bonds.

The Series 2009 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated August \_\_, 2009, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and with certain certificates delivered in connection with the issuance of the Series 2009 A Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Agreement and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2009 A Bonds, all under the provisions of the Act and other applicable provisions of law.
2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Agreement and has issued and delivered the Series 2009 A Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.
3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Series 2009 A Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.
4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2009 A Bonds (including original issue discount properly allocable to owners of the Series 2009 A

Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. Ownership of tax-exempt obligations, including the Series 2009 A Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Series 2009 A Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2009 A Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Series 2009 A Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Series 2009 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2009 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2009 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2009 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2009 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2009 A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2009 A Bonds, to register any securities under said Securities Acts.

7. The Series 2009 A Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's: (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; (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; (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; (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; (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 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000, all in accordance with the terms of the Series 2009 A Bonds and the Resolution.

8. The Issuer has designated the Series 2009 A Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Series 2009 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2009 A Bonds, the Resolution, the Continuing Disclosure Agreement and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors’ rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond Nos. R-1 through R-\_\_ of said issue, and in our opinion, said Series 2009 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

## APPENDIX D

### Form of Continuing Disclosure Certificate

**\$2,175,000**

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS  
SERIES 2009 A (BANK QUALIFIED)**

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is delivered this 21<sup>st</sup> day of August, 2009, by the Flatwoods-Canoe Run Public Service District (the "District"), in connection with the issuance of its \$2,175,000 Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"). The Series 2009 A Bonds are being issued pursuant to a Bond Resolution approved by the District on August 10, 2009 (the "Resolution"). The District covenants and agrees as follows:

**SECTION 1. Purpose of Certificate.** This Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Series 2009 A Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")), provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2009 A Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the District's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any the Series 2009 A Bonds (including persons holding the Series 2009 A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the District and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Purchase Contract" shall mean the Bond Purchase Agreement dated August 1, 2009, between the Underwriters and the District, by which the Underwriter offered to purchase the Series 2009 A Bonds from the District upon the terms set forth therein.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2009 A Bonds" shall mean the \$2,175,000 Water Improvement Revenue Bonds, Series 2009 A (Bank Qualified).

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

"Underwriter" shall mean Crews & Associates, Inc., the original underwriter of the Series 2009 A Bonds, who is required to comply with the Rule in connection with offering of the Series 2009 A Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the District's fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2009, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. If the District's fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if

other than the District). If the District is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the District shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date it was provided and listing the Repositories to which it was provided.

(d) Effective on July 1, 2009 and thereafter, all documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic formant and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The District's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days after receipt by the District of the District's fiscal year ended June 30, 2009 fiscal year and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the District, and

(b) Within one hundred fifty (150) days of the District's fiscal year ended June 30, 2009, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the District for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "THE SYSTEM - Historical and Proforma Revenues, Expenses and Coverages."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2009 A Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Resolution;
11. rating changes.

(b) Whenever the District obtains knowledge of the occurrence of any of the Listed Events, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected the Series 2009 A Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 A Bonds. If such termination occurs prior to the final maturity of the Series 2009 A Bonds, the District shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the District may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2009 A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2009 A Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders of the Series 2009 A Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2009 A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the District shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the District chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2009 A Bonds may take such actions as may be necessary and appropriate, including

seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Certificate in the event of any failure of the District to comply with this Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Certificate shall inure solely to the benefit of the District, the Underwriter and holders and beneficial owners from time to time of the Series 2009 A Bonds, and shall create no rights in any other person or entity.

Date: August 21, 2009

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Flatwoods-Canoe Run Public Service District  
Name of Issue: \$2,175,000 Flatwoods-Canoe Run Public Service District  
Water Revenue Bonds, Series 2009 A (Bank Qualified)  
Date of Issuance: August 21, 2009

Notice is hereby given that the District has not provided an Annual Report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**

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

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NEW ISSUE

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2009 A Bonds (including any original issue discount properly allocable to any owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2009 A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2009 A Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" herein.

**\$2,175,000**  
**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**  
**WATER REVENUE BONDS**  
**SERIES 2009 A (BANK QUALIFIED)**

Dated: Date of Delivery Due: September 1, as shown below

The Series 2009 A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. All of the Series 2009 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2009 A Bonds will be in book-entry form only. Semiannual interest on the Series 2009 A Bonds is payable beginning March 1, 2010, and each March 1 and September 1 thereafter. So long as the Series 2009 A Bonds are maintained under a book-entry system, payments of the principal of, premium, if any, and interest on the Series 2009 A Bonds will be made when due by the Municipal Bond Commission of West Virginia, Charleston, West Virginia, as Paying Agent, to DTC in accordance with the Resolution and any Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2009 A Bonds. See "THE SERIES 2009 A BONDS" and "BOOK-ENTRY ONLY SYSTEM." The Series 2009 A Bonds are subject to redemption prior to maturity as described herein.

The Series 2009 A Bonds are being issued, together with other funds available therefor, to: (i) provide funds in the amount of \$161,762.50 to be deposited in the Series 2009 A Bonds Reserve Account; (ii) provide funds for certain improvements to be made to the District's water system; (iii) provide funds in the amount of \$252,737.15 to be deposited in the Series 2009 A Bonds Sinking Fund to pay capitalized interest; and (iv) pay certain costs of issuance of the Series 2009 A Bonds and related costs.

The Series 2009 A Bonds are payable from and further secured by the Net Revenues derived from the existing water system of the District and any extensions, improvements and betterments thereto and from funds on deposit in the Series 2009 A Bonds Sinking Fund and the Reserve Account therein. The Series 2009 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the principal of, premium, if any, and interest on the Series 2009 A Bonds, except from the Net Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power, if any, of the District shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of, premium, if any, or interest on the Series 2009 A Bonds.

The District has designated the Series 2009 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<u>Maturity</u>	<u>Principal</u>		<u>Yield</u>	<u>CUSIP</u>
	<u>Amount</u>	<u>Coupon</u>		
09/01/2019	\$335,000	5.250%	5.250%	33886A AA5
09/01/2024	290,000	5.500%	5.500%	33886A AB3
09/01/2029	380,000	5.500%	5.750%	33886A AC1
09/01/2039	1,170,000	6.000%	6.250%	33886A AD9

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2009 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, as counsel to the District, will pass upon certain legal matters for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2009 A Bonds will be available for delivery in New York, New York, on or about August 21, 2009.



Dated: August 17, 2009

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, WEST VIRGINIA**

**PUBLIC SERVICE BOARD**

Eldred Drake, Chairman  
Scott Ratliff, Secretary  
John Gibson, Treasurer  
Steven Sanders, General Manager

**BOND COUNSEL**

Steptoe & Johnson, PLLC  
Charleston, West Virginia

**ISSUER'S COUNSEL**

H. Wyatt Hanna, III  
South Charleston, West Virginia

**UNDERWRITER'S COUNSEL**

Goodwin & Goodwin, LLP  
Charleston, West Virginia

**CONSULTING ENGINEERS**

Bell Engineering  
Lexington, Kentucky

**REGULATORY ACCOUNTANT**

Smith, Cochran & Hicks, P.L.L.C.  
Charleston, West Virginia

**AUDITOR**

Bennett & Dobbins PLLC  
Fairmont, West Virginia

**UNDERWRITER**

Crews & Associates, Inc.  
Little Rock, Arkansas

**DEPOSITORY BANK**

Bank of Gassaway  
Sutton, West Virginia

**REGISTRAR**

United Bank, Inc.  
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by Flatwoods-Canoe Run Public Service District or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from Flatwoods-Canoe Run Public Service District and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Flatwoods-Canoe Run Public Service District as it relates to the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**  
**\$2,175,000**  
**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**  
**WATER REVENUE BONDS**  
**SERIES 2009 A (BANK QUALIFIED)**

**INTRODUCTION**

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning Flatwoods-Canoe Run Public Service District, West Virginia (the "District"), the District's water system hereinafter described and the District's \$2,175,000 in aggregate principal amount of Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"). The Series 2009 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act"), and a resolution adopted by the Public Service Board of the District on August 10, 2009 (the "Resolution"), as supplemented and amended by any supplemental resolution adopted by the Board of the District pursuant to the Resolution (the "Supplemental Resolution", and together with the Resolution, the "Resolution").

The proceeds of the Series 2009 A Bonds, together with other funds available therefor, will be used as follows: (i) to provide funds in the amount of \$161,762.50 to be deposited in the Series 2009 A Bonds Reserve Account; (ii) to provide funds for certain improvements to be made to the District's water system; (iii) to provide funds in the amount of \$252,737.15 to be deposited in the Series 2009 A Bonds Sinking Fund to pay capitalized interest; and (iv) to pay certain costs of issuance of the Series 2009 A Bonds and related costs.

The Series 2009 A Bonds are payable from and secured by the Net Revenues, as defined in the Resolution and hereinafter, derived from the existing water system of the District and any extensions, improvements or betterments thereto (the "System") and from funds on deposit in the Sinking Fund and the Reserve Account therein. The Series 2009 A Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, and the District shall not be obligated to pay the Series 2009 A Bonds or premium, if any, or the interest thereon except from such Net Revenues and such funds on deposit.

Pursuant to the Resolution, the District has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby so as to produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2009 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on a parity with the Series 2009 A Bonds. See "SECURITY FOR THE SERIES 2009 A BONDS - Rate Covenant."

The Series 2009 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2009 A BONDS" herein. The Series 2009 A Bonds initially will be maintained

under a book-entry system. So long as the Series 2009 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2009 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2009 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by the Paying Agent as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2009 A BONDS" herein.

For a description of the exclusion of interest on the Series 2009 A Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The District may issue additional bonds on parity with the Series 2009 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds issued pursuant to the Resolution subject, in each case, to certain tests and conditions provided for by the Resolution (the Series 2009 A Bonds and any such additional parity bonds are hereinafter referred to as the "Bonds"). See "SECURITY FOR THE SERIES 2009 A BONDS - Additional Parity Bonds."

The Series 2009 A Bonds are offered when, as and if issued and received on behalf of the Underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, Counsel will pass upon certain legal matters for the District to the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2009 A Bonds, the District and certain provisions of the Resolution and the Act, as defined in the Resolution and hereinafter, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2009 A Bonds are qualified in their entirety by reference to the form thereof included in the Resolution and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Resolution. Copies of the Resolution and other applicable documents may be obtained from the District or, during the period of offering the Series 2009 A Bonds, from the Underwriter.

## FINANCING PLAN

### Sources and Uses of Funds

#### Sources of Funds:

Principal Amount of Series 2009 A Bonds	\$2,175,000.00
US Economic Development Authority Grant	2,695,500.00
Weyerhaeuser Corporation Contribution	<u>700,000.00</u>
Total Sources	\$5,570,500.00

#### Uses of Funds:

Project Account	\$1,649,582.00
Series 2009 A Bonds Réserve Account	161,762.50
Series 2009 A Bonds Sinking Fund	252,737.15
Underwriter's Discount	38,062.50
Costs of Issuance (1)	<u>22,170.35</u>
Total Uses	\$5,570,500.00

(1) Includes legal fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2009 A Bonds.

## THE SERIES 2009 A BONDS

### General

The Series 2009 A Bonds are dated and bear interest from the date of delivery, upon original issuance. Any Series 2009 A Bond issued in exchange on or subsequent to said first interest payment date will be dated as of the interest payment date next preceding the date of authentication thereof unless the date of authentication is an interest payment date on which interest on said Series 2009 A Bond shall have been paid in full or duly provided for, in which case said Series 2009 A Bond shall be dated such date of authentication; or unless, as shown by the records of the Registrar, as defined below, interest on such Series 2009 A Bond shall be in default, in which case any Series 2009 A Bond issued in exchange for a Series 2009 A Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full. The Series 2009 A Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing March 1, 2010, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2009 A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof for any year of maturity. The Series 2009 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2009 A Bonds and payments of principal of, redemption price, if any, and interest on the Series 2009 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is

discontinued, interest on the Series 2009 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date or, in the event of a default in the payment of the Series 2009 A Bonds, that special record date to be fixed by the Registrar by notice given to the owners not less than 10 days prior to said special record date (the "Record Date"). If the book-entry system is discontinued, principal of, premium, if any, and interest on the Series 2009 A Bonds will be payable to the owner thereof upon surrender thereof at the principal corporate trust department office of the Paying Agent.

So long as the Series 2009 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2009 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2009 A Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2009 A Bond, there will be issued another Series 2009 A Bond or Series 2009 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2009 A Bond. For every exchange or transfer of Series 2009 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The District shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

#### Optional Redemption

The Series 2009 A Bonds are subject to redemption at the option of the District, prior to maturity, on or after September 1, 2016, in whole or in part at any time from amounts deposited with the Bond Commission by the District or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2009 A Bonds shall be called for optional redemption, the particular maturities of the Series 2009 A Bonds to be redeemed shall be selected by the District in such manner, as it shall determine. So long as the Series 2009 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2009 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

#### Notice of Redemption

So long as the Series 2009 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2009 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2009 A Bonds; and failure to mail such notice shall

not affect the validity of any such proceedings for any Series 2009 A Bond with respect to which no such failure has occurred. After notice of redemption has been given in the manner hereinabove and in the Resolution described and moneys necessary therefor have been deposited, the Series 2009 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

### **BOOK-ENTRY ONLY SYSTEM**

The information in this section has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy thereof.

#### **The Depository Trust Company**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2009 A Bonds. The Series 2009 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2009 A Bonds will be issued for each maturity of the Series 2009 A Bonds in the principal amount equal to the aggregate principal amount of the Series 2009 A Bonds of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

#### **Ownership of Series 2009 A Bonds**

Purchases of the Series 2009 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 A Bonds on DTC's records. The ownership interest of the actual purchasers of each Series 2009 A Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic

statements of their holdings, from the Participants through which the Beneficial Owners entered to the transaction. Transfers of ownership interests in the Series 2009 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 A Bonds except in the event that use of the book-entry system for the Series 2009 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2009 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2009 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the District as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2009 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2009 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2009 A Bonds. The District and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2009 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2009 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Resolution. Neither the District nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

#### Payments on and Redemption of Series 2009 A Bonds

So long as the Series 2009 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2009 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the District. Payment of principal and interest to DTC is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2009 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2009 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2009 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2009 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Resolution and will not be made by the District, the Registrar or the Paying Agent.

The District, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2009 A Bonds paid to DTC or its nominee as the registered owner of the Series 2009 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2009 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

#### Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the District as a securities depository for the Series 2009 A Bonds and, in such event, the District may discontinue the maintenance of the Series 2009 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the District appoints a securities depository to replace DTC, the Series 2009 A Bonds held by DTC will be canceled, and the District will execute and the Registrar will authenticate and deliver Series 2009 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2009 A Bonds shown on the records of such Participant provided to the Registrar.

## SECURITY FOR THE SERIES 2009 A BONDS

The Series 2009 A Bonds are special obligations of the District and are payable as to principal, premium, if any, and interest solely from the sources described below. The District is under no obligation to pay the Series 2009 A Bonds except from said sources.

### Outstanding Prior Bonds

The District has outstanding the following bonds payable from the Net Revenues of the System that are on parity with the Series 2009 A Bonds, being (i) Water Revenue Bonds, Series 1996 A (United States Department of Agriculture), dated June 12, 1996, originally issued in the aggregate principal amount of \$240,000, of which \$232,234 is currently outstanding (the "Series 1996 A Bonds"); (ii) Water Refunding Revenue Bonds, Series 1996 B (United States Department of Agriculture), dated June 12, 1996, originally issued in the aggregate principal amount of \$70,000, of which \$67,707 is currently outstanding (the "Series 1996 B Bonds"); (iii) Water Revenue Bonds (West Virginia Infrastructure Fund), Series 1998 B, dated September 24, 1998, originally issued in the aggregate principal amount of \$890,000, of which \$862,263 is currently outstanding (the "Series 1998 B Bonds"); (iv) Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), dated October 18, 2001, originally issued in the aggregate principal amount of \$2,240,000, of which \$2,000,000 is currently outstanding (the "Series 2001 Bonds"); (v) Water Revenue Bonds, Series 2005 A (West Virginia Infrastructure Fund), dated December 8, 2005, originally issued in the aggregate principal amount of \$5,085,825, of which \$4,819,899 is currently outstanding (the "Series 2005 A Bonds"); and (vi) Water Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, originally issued in the aggregate principal amount of \$1,014,000, of which \$984,169 is currently outstanding (the "Series 2007 A Bonds") (collectively, the "Prior Bonds").

### Sources of Payment

The payment of the debt service on the Series 2009 A Bonds and the District's existing indebtedness shall be secured forthwith equally and ratably by a parity first lien on and pledge of the Net Revenues derived from the System and the funds on deposit in the Sinking Fund and the Reserve Account therein and on parity with the District's existing indebtedness as more fully described below under "ANNUAL DEBT SERVICE REQUIREMENTS." Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness and to make the payments into the Sinking Fund and all other payments provided for in the Resolution, and the funds in the Sinking Fund and the Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds and the District's existing indebtedness as the same become due and for the other purposes provided in the Resolution.

### Rate Covenant

The District has covenanted and agreed in the Resolution to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will

produce for each fiscal year Net Revenues, as defined in the Resolution and hereinafter, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2009 A Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2009 A Bonds.

The District further covenants that it will enact any rate increases as shall be required to comply with the aforementioned rate covenant within thirty (30) days following a determination by the District or upon an annual audit of the District that the District is not in compliance with such rate covenant.

#### Series 2009 A Bonds Reserve Account

\$161,762.50 of proceeds of the Series 2009 A Bonds will be deposited in the Series 2009 A Bonds Reserve Account. In the event funds in the Revenue Fund are insufficient to pay the principal of and/or interest on the Series 2009 A Bonds, the Bond Commission shall withdraw and transfer to the Series 2009 A Bonds Sinking Fund sufficient amounts to make payments of principal of and/or interest on the Series 2009 A Bonds as the same becomes due from cash on deposit in the Series 2009 A Bonds Reserve Account.

In the event of a transfer from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund as aforesaid, the District shall restore the balance to the Series 2009 A Bonds Reserve Account in an amount up to the Series 2009 A Bonds Reserve Requirement. The transfer of any cash by the District from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund shall be replenished over twelve (12) equal monthly payments.

The reimbursement obligation of the District will be secured by the Net Revenues derived from the System and the funds on deposit in the Depreciation Fund, provided however, that such lien will be subordinate to the payment of debt service to holders of the Series 2009 A Bonds.

#### Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with the Bank of Gassaway, Sutton, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; first, for use by the District for the Operating Expenses of the System; second, for monthly deposit in the Sinking Fund established with the Bond Commission, (i) of a sum equal to 1/6 of the amount of interest which will become due on the Series 2009 A Bonds, on parity with the District's other indebtedness, on the next ensuing semiannual interest payment date (beginning March 1, 2010, with appropriate modification in the fraction of the amount of interest to be deposited monthly prior to the first interest payment date), and (ii) beginning thirteen months prior to the first principal payment date or mandatory redemption date, of a sum equal to 1/12 of the amount of principal which will mature or be redeemed and become due on the Series 2009 A Bonds, on parity with the District's other indebtedness, on the next ensuing principal payment date or mandatory redemption date; third, for restoration of any deficiency in the funding of the Series 2009 A Bonds Reserve Account;

and fourth, for monthly transfer to the Depreciation Fund, beginning with the first month following delivery of the Series 2009 A Bonds, of a sum equal to two and one-half percent (2 1/2%) of monthly Revenues (excluding payments to the Series 2009 A Bonds Reserve Account). Excess moneys on deposit in the Revenue Fund in any given month may be used solely for the lawful purpose of the System.

#### Enforcement of Collections

The District covenants in the Resolution to diligently enforce and collect all fees, rates, 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, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The District further covenants and agrees in the Resolution that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the District, discontinue water services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

#### Additional Parity Bonds

The Resolution provides for the issuance of additional bonds on parity with the Series 2009 A Bonds with respect to their lien on the Net Revenues of the System and funds in the Sinking Fund and the Reserve Account therein and their source of and security for payment from said Net Revenues (the "additional parity bonds") for the following purposes and under the following conditions:

No such additional parity bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of additions, betterments or improvements to the System, refunding all or a portion of the Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary of the District a written statement by Independent Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided, from the System during the Fiscal Year 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 succeeding years after the date of issuance of such additional parity bonds, shall not be less than 120% 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 Series 2009 A Bonds then Outstanding;
- (2) The District's Prior Bonds then Outstanding;

- (3) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Resolution then Outstanding; and
- (4) The additional 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 any increase in rates enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the preceding Fiscal Year hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the District, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity Bonds. For purposes of this test, the terms "Gross Revenues" and "Net Revenues" shall not include proceeds from the sale of capital assets.

The term "additional parity bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations hereof, payable from the Net Revenues of the System on a parity with the Series 2009 A Bonds and the District's other indebtedness, and all the covenants and other provisions of the Resolution (except as to details of such additional parity bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2009 A Bonds and the District's other indebtedness and the Holders of any additional parity bonds theretofore or subsequently issued from time to time within the limitations of and in compliance herewith. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from the Net Revenues, without preference of any Bond over any other. The District shall comply fully with all the increased payments into the various funds and accounts created in the Resolution required for and on account of such additional parity bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Resolution or any prior resolution.

The term "additional parity bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Series 2009 A Bonds and the District's other indebtedness on such Revenues. The District shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2009 A Bonds and the District's other indebtedness except in the manner and under the conditions provided herein.

No additional parity bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Resolution with respect to

the Bonds then Outstanding, and any other payments provided for in the Resolution, shall have been made in full as required to the date of issuance of the additional parity bonds.

## THE SYSTEM

### The Project

The District proposed project to construct certain improvements to and modifications to upgrade its water treatment plant's capacity from 0.75 MGD to 1.5 MGD will include replacement of the raw water screens with new screens that will allow a water intake of 1,050 GPM. Existing vertical turbine pumps will be replaced with 2 larger turbine units capable of pumping 1,050 GPM of water to the plant. Discharge piping will be modified and located in a new valve vault. The proposed improvements and modifications will include upgrading the flocculation and sediment processes, providing a new filtration system, providing new chemical feed systems, constructing additional clearwell storage, constructing a new operations building and construction of new solids collection and pumping facilities.

Without these improvements, the dynamic population and future business of the area would likely decline, suffering from questionable water quality. The Project, at a cost of approximately \$5,570,000, will permit the area to meet growth projections. The estimated Project costs include:

Construction	\$4,250,082.00
Engineering	405,000.00
Administrative & Legal	180,000.00
Contingencies	105,000.00
Reserve Fund	161,762.50
Capitalized Interest	252,737.15
Office Building	75,000.00
Bond Counsel	30,000.00
Costs of Financing	22,170.35

The District is financing the Project through a grant from the United States Economic Development Authority in the amount of \$2,695,500 and a private contribution by the Weyerhaeuser Corporation in the amount of \$700,000. Series 2009 A Bond proceeds in the amount of \$2,175,000 provide the balance of funding for the Project.

Water Usage

Annual Consumption History by Source

<u>Year Ended June 30</u>	<u>Residential Gallons</u>	<u>Commercial Gallons</u>	<u>Industrial Gallons</u>	<u>Public Gallons</u>	<u>Resale Gallons</u>	<u>Total</u>
2008	65,476,000	22,303,000	37,010,000	19,413,000	11,028,000	155,230,000
2007	64,192,000	24,653,000	36,575,000	22,543,000	9,919,000	157,882,000
2006	61,075,000	26,935,000	43,662,000	21,726,000	9,760,000	163,158,000
2005	68,250,000	36,847,000	37,327,000	10,689,000	9,000,000	162,113,000
2004	na	na	na	na	na	150,103,000

Customer Background

Customer Count by Type

<u>Year Ended June 30</u>	<u>Residential</u>	<u>Commercial</u>	<u>Resale</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2008	1,623	110	1	4	59	1,797
2007	1,501	110	1	4	60	1,676
2006	1,336	110	1	4	59	1,509
2005	na	na	1	na	na	1,482
2004	na	na	na	na	na	1,440

Metered Sales to General Customers – Year Ended June 30, 2008

Residential Customers	\$540,860	52%
Industrial Customers	\$224,440	21%
Commercial Customers	\$138,932	13%
Public Authorities	\$105,984	10%
Resale	\$38,644	4%

## Major Users

	5/1/08 to 4/30/09	
	Gallons	Revenue
Weyerhaeuser	32,649,400	\$241,565.21
Day's Inn	4,201,300	25,712.21
Central Regional Jail	7,856,000	43,153.00
Braxton County Schools	3,025,200	23,075.78
Braxton Health Care Center	1,948,400	11,215.86

## Water Source

The District currently uses the following two sources for its supply:

<u>Source</u>	<u>Gallons/day</u>	<u>Pumping Method</u>
Elk River	595,000 gpd	pump to storage tanks & gravity
West Virginia-American	40,260 gpd	same

## Wholesale Contracts

During the last fiscal year, the Birch River Public Service District consumed approximately 12,072,000 gallons of water, producing revenue of approximately \$51,690.

## District Personnel

Steve Sanders has been the General Manager of the District since 1995. He is supported by an Assistant General Manager, Rodney Pritt (10 years of service), Sewer Plant Manager (Gary Steve Cooper, 18 years of service), and a Chief Water Plant Operator (Charles McCumbers, 9 years of service). The District currently employs a total of 12 full time people and two (2) part time employees.

Rates

Existing Pre-Construction Rates

All Metered Customers and Bulk Sales

New Rate

First	2,000	gallons used per month	\$11.69 per 1,000 gallons
Next	28,000	gallons used per month	\$8.00 per 1,000 gallons
Over	30,000	gallons used per month	\$4.25 per 1,000 gallons

Minimum Charges

The monthly minimum charge will be as follows, according to the size of the meter installed.

5/8 inch meter	\$23.38	per month
3/4 inch meter	\$35.07	per month
1 - inch meter	\$58.45	per month
1-1/2 inch meter	\$116.90	per month
2 - inch meter	\$187.04	per month
3 - inch meter	\$374.08	per month
4 - inch meter	\$584.50	per month
6 - inch meter	\$1,169.00	per month

Resale Rates

\$4.11 per 1,000 gallons used per month.

Post Construction Rates

The PSC approved the current schedule of rates and charges. They will be formally instituted when the Project is completed or earlier. These rates were established to accommodate the Project. The following table sets forth the new rates and charges.

All Metered Customers and Bulk Sales

New Rate After Construction

First	2,000	gallons used per month	\$13.75 per 1,000 gallons
Next	28,000	gallons used per month	\$9.81 per 1,000 gallons
Over	30,000	gallons used per month	\$4.50 per 1,000 gallons

Minimum Charges

No minimum bill will be rendered for less than the following per month according to meter size:

5/8 - inch meter	\$27.50	per month
3/4 - inch meter	\$41.25	per month
1 - inch meter	\$68.75	per month
1 1/2 inch meter	\$137.50	per month
2 - inch meter	\$220.00	per month
3 - inch meter	\$440.00	per month
4 - inch meter	\$687.50	per month
6 - inch meter	\$1,375.00	per month

INDUSTRIAL RATE

\$6.00 per 1,000 gallons used per month

Resale Rates

\$4.51 per 1,000 gallons used per month

### Delayed Payment Penalty

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

### Water Service Charge

A charge of \$20.00 shall be made for restoring a discontinued water connection.

### Connection Charge

Subsequent to completion of construction adjacent to the user property: \$200.00.

### Billing and Collections

The District renders a monthly bill to all customers of the System. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of \$15.00 is required to reinstate a previously delinquent account.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

### System Budget

The General Manager prepares a draft budget for the System's operations. The District's budget is compiled from the draft budget and submitted to the Public Service Board on or before June 1 of each year. The budget is required by statute to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year and the method of financing such expenditures. The total of proposed expenditures may not exceed the total of estimated income. Upon adoption of the budget, a copy shall be provided to the County Commission. No payments may be made in excess of the budget unless unanimously authorized and directed by the Public Service Board. Separate accounting records are kept by the District and reviewed by the District's accountant each year.

### Method of Accounting

The District maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the District for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the District office.

Coverage History (Fiscal Year Ended June 30)

	Audited 2005	Audited 2006	Audited 2007	Audited 2008
Operating Revenues	\$ 924,005	\$ 1,071,261	\$ 1,064,354	\$ 1,089,846
Total Operating Expenses	\$ 858,059	\$ 921,576	\$ 1,011,503	\$ 1,129,051
Total Operating Income	\$ 65,946	\$ 149,685	\$ 52,851	\$ (39,205)
Other Income/Expenses	\$ (155,486)	\$ (147,697)	\$ (138,049)	\$ (28,157)
Net Income	\$ (89,540)	\$ 1,988	\$ (85,198)	\$ (67,362)
Debt Service	212,629	211,732	268,995	368,262
Depreciation	183,734	178,898	166,772	279,711
Interest Charges	157,724	156,874	155,150	150,292
Cash Available for Debt Service	251,918	337,760	236,724	362,641
Debt Service Coverage	1.18	1.60	0.88	0.98

Fiscal Year 2009

The Public Service Commission approved a rate increase of 25.3% after Fiscal Year 2008 to remedy the coverage deficiency. The resulting coverage, as estimated by the PSC, is 1.20x.

Fiscal Years 2010-2011

With no change expected in rates or debt service, coverage is expected to be maintained at 1.20x. (Interest will be capitalized during the construction period for the Project.)

Fiscal Year 2012

The Public Service Commission has approved a rate increase of 7% effective after the Project is substantially complete. The resulting coverage, as estimated by the PSC, will be 1.15x.

Pension Plan

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia public Employee's Retirement System (PERS). It provides retirement, disability and death benefits to plan members' beneficiaries. State statutes establish benefit provisions.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to:

Consolidated Public Retirement Board  
 Building 5  
 1900 Kanawha Boulevard East  
 Charleston, West Virginia 25305-0720

The District and plan members are required to contribute 9.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the District and plan members are established and may be amended by State statute. The District's contributions to PERS for the years ended June 30, 2008, 2007 and 2006 were \$78,016, \$81,040, and \$71,003.

#### Public Service District Authority and Board Membership

- (1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district;
- (2) The county commission may, on its own motion or on the basis of a proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action.

From and after the date of adoption of the order creating any public service district, it becomes public corporation and political subdivision of the state, but lacks any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, be sued, adopt an official seal and enter into contracts necessary or incidental to its purposed, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty yeas, but provisions may be included therein of a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of a district.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2009 A Bonds and the Prior Bonds.

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S
09/01/2009	-	-	-	-	-	-	-
09/01/2010	-	-	128,099.65	128,099.65	-	(128,099.65)	-
09/01/2011	-	-	124,637.50	124,637.50	-	(124,637.50)	-
09/01/2012	35,000.00	5.250%	124,637.50	159,637.50	-	-	159,637.50
09/01/2013	35,000.00	5.250%	122,800.00	157,800.00	-	-	157,800.00
09/01/2014	40,000.00	5.250%	120,962.50	160,962.50	-	-	160,962.50
09/01/2015	40,000.00	5.250%	118,862.50	158,862.50	-	-	158,862.50
09/01/2016	45,000.00	5.250%	116,762.50	161,762.50	-	-	161,762.50
09/01/2017	45,000.00	5.250%	114,400.00	159,400.00	-	-	159,400.00
09/01/2018	45,000.00	5.250%	112,037.50	157,037.50	-	-	157,037.50
09/01/2019	50,000.00	5.250%	109,675.00	159,675.00	-	-	159,675.00
09/01/2020	50,000.00	5.500%	107,050.00	157,050.00	-	-	157,050.00
09/01/2021	55,000.00	5.500%	104,300.00	159,300.00	-	-	159,300.00
09/01/2022	60,000.00	5.500%	101,275.00	161,275.00	-	-	161,275.00
09/01/2023	60,000.00	5.500%	97,975.00	157,975.00	-	-	157,975.00
09/01/2024	65,000.00	5.500%	94,675.00	159,675.00	-	-	159,675.00
09/01/2025	70,000.00	5.500%	91,100.00	161,100.00	-	-	161,100.00
09/01/2026	70,000.00	5.500%	87,250.00	157,250.00	-	-	157,250.00
09/01/2027	75,000.00	5.500%	83,400.00	158,400.00	-	-	158,400.00
09/01/2028	80,000.00	5.500%	79,275.00	159,275.00	-	-	159,275.00
09/01/2029	85,000.00	5.500%	74,875.00	159,875.00	-	-	159,875.00
09/01/2030	90,000.00	6.000%	70,200.00	160,200.00	-	-	160,200.00
09/01/2031	95,000.00	6.000%	64,800.00	159,800.00	-	-	159,800.00
09/01/2032	100,000.00	6.000%	59,100.00	159,100.00	-	-	159,100.00
09/01/2033	105,000.00	6.000%	53,100.00	158,100.00	-	-	158,100.00
09/01/2034	110,000.00	6.000%	46,800.00	156,800.00	-	-	156,800.00
09/01/2035	120,000.00	6.000%	40,200.00	160,200.00	-	-	160,200.00
09/01/2036	125,000.00	6.000%	33,000.00	158,000.00	-	-	158,000.00
09/01/2037	135,000.00	6.000%	25,500.00	160,500.00	-	-	160,500.00
09/01/2038	140,000.00	6.000%	17,400.00	157,400.00	-	-	157,400.00
09/01/2039	150,000.00	6.000%	9,000.00	159,000.00	(161,762.50)	-	(2,762.50)
<b>Total</b>	<b>\$2,175,000.00</b>	-	<b>\$2,533,149.65</b>	<b>\$4,708,149.65</b>	<b>(161,762.50)</b>	<b>(252,737.15)</b>	<b>\$4,293,650.00</b>

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following is a summary of certain provisions of the Resolution. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Resolution, copies of which may be obtained from the Underwriter.

### **Application of Series 2009 A Bond Proceeds**

The amount of the Series 2009 A Bond proceeds representing capitalized interest shall be deposited in the Series 2009 A Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2009 A Bonds next coming due.

An amount of the proceeds of the Series 2009 A Bonds equal to the Series 2009 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2009 A Bonds Reserve Account.

The balance of the proceeds of the Series 2009 A Bonds shall be deposited with the Depository Bank in the Construction Fund and in the Costs of Issuance Fund and shall be drawn out, used and applied by the District solely to pay costs of the Project and to pay costs of issuance of the Series 2009 A Bonds. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and financing may be invested in accordance with the Resolution, subject however to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, the District shall transfer such unapplied proceeds to the Series 2009 A Bonds Redemption Account. The District shall transfer all such proceeds to the Series 2009 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys until so applied in favor of the Holders of the Series 2009 A Bonds from which such proceeds are derived.

### **Application of System Revenues**

The Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

### **System Revenues; Flow of Funds**

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolution and shall be kept separate and distinct from all other funds of the District and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The District shall first each month pay from the Revenue Fund the Operating Expenses of the System.

(2) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required to pay interest on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by the Prior Resolution to pay interest on the Series 1998 B Bonds and Series 2001 Bonds; and (iii) to the Commission commencing 6 months prior to the first interest payment date on the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2009 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2009 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2009 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund.

(3) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required by Prior Resolution to pay principal on the Series 1996 A Bonds and Series 1996 B Bonds; (ii) to the Commission the amounts required by Prior Resolution to pay principal on the Series 1998 B Bonds, Series 2001 Bonds, Series 2005 A Bonds and Series 2007 A Bonds; and (iii) to the Commission commencing 12 months prior to the first principal payment date or mandatory Redemption Date of the Series 2009 A Bonds, for deposit in the Series 2009 A Bonds Sinking Fund, and in the Series 2009 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2009 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2009 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2009 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The District shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the respective Reserve Accounts, the amounts required under the Prior Resolutions to fund the respective reserve requirements for the Prior Bonds; and (ii) for deposit in the Series 2009 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2009 A Bonds Reserve Account below the Series 2009 A Bonds Reserve Requirement or any withdrawal from the Series 2009 A Bonds Reserve Account, beginning with the first full calendar month

following the date on which (a) the valuation of investments in the Series 2009 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2009 A Bonds Reserve Account is less than the Series 2009 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2009 A Bonds Reserve Account for deposit into the Series 2009 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2009 A Bonds Reserve Account to an amount equal to the Series 2009 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2009 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2009 A Bonds Reserve Requirement.

(5) The District shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the District or of the Depository Bank and shall be invested and reinvested in accordance with Article V of the Resolution. 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.

Monies in the Series 2009 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2009 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 2009 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2009 A Bonds when due, when amounts in the Series 2009 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The District shall not be required to make any further payments into the Series 2009 A Bonds Sinking Fund or the Series 2009 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 2009 A Bonds issued pursuant to the Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 2009 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2009 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 or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirements therefor.

The payments into the Series 2009 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday

or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The District shall restore any withdrawals from the Series 2009 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 2009 A Bonds Reserve Requirement, from the first Net Revenues available after all required payments have been made in full in the order set forth above.

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

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2009 A Bonds Sinking Fund and the Series 2009 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the District at the times provided herein.

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.

The District shall remit from the Revenue Fund to the Bond Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Bond 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 any charges and fees then due.

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

If on any monthly payment date the Net 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, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

#### Investments

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

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

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

(A) Qualified Investments acquired for the Series 2009 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The District shall, or shall cause the Bond Commission to semiannually transfer from the Series 2009 A Bonds Reserve Account to the Series 2009 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the Series 2009 A Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2009 A Bonds Reserve Account an amount at least equal to the Series 2009 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2009 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2009 A Bonds Reserve Account shall, at any time, be less than the Series 2009 A Bonds Reserve Requirement, such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2009 A Bonds Sinking Fund and otherwise in accordance with Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2009 A Bonds and

invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2009 A Bonds Sinking Fund may be invested by the Bond Commission in 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.

#### General Covenants

Enforcement of Collections. The District has covenanted diligently to enforce and collect all fees, rates, 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, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The District will shut off and discontinue the supplying of water service for the nonpayment of the rates or charges for said water service to the full extent permitted or authorized by State law.

Completion, Operation and Maintenance. The District 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 the System in the manner provided in the Resolution.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Resolution as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2009 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the District by the Bond Commission unless necessary for the payment of other obligations of the District payable out of the Revenues of the System.

The foregoing provision notwithstanding, the District shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of \$50,000, the District 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 the District 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 shall be in excess of \$50,000 but not in excess of \$200,000, the District 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, approve and 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 Depreciation Fund. Payment of such proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the District if the proceeds to be derived therefrom shall be in excess of \$200,000 and insufficient to defease the pledge created by the Resolution, as provided by Section 9.01, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The District 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.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The District 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 the Revenues with, the Bonds, provided that additional Bonds on parity with the Bonds may be issued as provided in the Resolution. See "SECURITY FOR THE SERIES 2009 A BONDS-Additional Parity Bonds." All obligations issued by the District 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 Revenues and in all other respects, to the Bonds.

The District shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity Bonds, upon any of the income and Revenues of the System pledged for payment of the Bonds and the interest thereon in the Resolution, or upon the System or any part thereof.

Insurance. The District will carry, with a reputable insurance carrier or carriers, procure and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

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

B. PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the District 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 District from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT 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 District 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, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

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

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

F. FIDELITY BONDS will be provided as to every officer and employee of the District 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.

Services Rendered to the District. The District will not render or cause to be rendered any free services of any nature by its System; and, in the event the District or any department, agency, instrumentality, officer or employee of the District shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the District shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. 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 the operation of the System.

No Competing Franchise. To the extent legally allowable, the District 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.

Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Bonds shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the District relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. The District shall maintain separate control accounting records.

The Public Service Board shall file with the Consulting Engineers and the Underwriter, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report containing a statement of Revenues, operating expenses and Net Revenues derived from the System, and a balance sheet statement showing all deposits in the funds and accounts provided for in the Resolution and the status of all said funds.

The District 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 registered owner of the Bonds, and shall file said report with the Underwriter. As required by statute, such audited annual report shall be filed with the Braxton County Commission and the Public Service Commission of West Virginia.

Restrictions as to Arbitrage Bonds. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any bond to be an "arbitrage bond" as defined in Section 148 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the District shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Public Service Board shall annually, prior to the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without the unanimous written approval the Public Service Board. The District shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Registrar and shall make available such budgets and resolutions to the Registrar and to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Resolution or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Bonds required for consent to any such amendment or modification.

Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the respective pledges of the Revenues and other moneys and securities pledged under the Resolution, and all covenants, agreements and other obligations of the District on behalf of 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 the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission at the same or earlier time, shall be sufficient to pay when due the principal of and interest due and to become due on the Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the respective principal of and interest on the Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on the Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the District as received by the Bond Commission free and clear of any trust, lien or pledge. The Bond Commission may appoint an escrow trustee to hold such moneys or securities. With respect to defeasance, the term securities includes only Government Obligations.

#### Default and Remedies

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

A. If default occurs in the due and punctual payment of the principal of or interest on any Bonds;

B. If default occurs in the District's observance of any of the covenants, agreements or conditions on its part in the Resolution or any supplemental resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given written notice of such default, requiring the same to be remedied, by any registered owner of the Bonds;

C. If the District files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the 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 proceedings enforce all rights of the registered owners of the Bonds, including the right to require the District to perform its duties under the Act and the Resolution; (iii) bring suit upon the Bonds; (iv) by action at law or bill in

equity require the District 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 Resolution or the rights of the registered owners of the Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the District, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and the deposits into the funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the 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 the Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any registered owner of the Bonds shall have the same right to secure the further appointment of a receiver.

Such receiver, in the performance of the powers conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the order and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing contained in the Resolution 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 in the Resolution.

Any receiver appointed as provided in the Resolution shall hold and operate the System in the name of the District and for the joint protection and benefit of the District 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the District and registered owners of the Bond, and the curing and making good of any default under the provisions of the Resolution, and the title to and ownership of the System shall remain in the District, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

## TAX MATTERS

In the opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2009 A Bonds (including any original issue discount properly allocable to any owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations.

The District has designated the Series 2009 A Bonds as “qualified tax-exempt obligations” for the purposes of Section 265 (b)(3) of the Code, which relates to the ability of certain financial institutions to deduct the interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2009 A Bonds for federal income tax purposes, including a requirement that the District rebate to the United States Treasury certain arbitrage earnings. The District will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the District to comply with such requirements could result in interest on the Series 2009 A Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2009 A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with “excess net passive income,” individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2009 A Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series 2009 A Bonds should consult their tax advisors regarding collateral federal tax consequences.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2009 A Bonds and the interest thereon are exempt from direct taxation by the State of West Virginia and the other taxing bodies of the State.

As shown on the cover page of this Official Statement, the initial public offering price of the Series 2009 A Bonds maturing on September 1, 2029 and September 1, 2039 (the “Discount Bonds”), are less than the respective amounts payable on such Discount Bonds at maturity. The difference between the initial public offering price at which such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount (“OID”). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity).

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID, which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period, is equal to the difference between the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID that would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amount among the days in such compounding period. Holders of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

#### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, sale and issuance of the Series 2009 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson, PLLC, Charleston, West Virginia, Bond Counsel. H. Wyatt Hanna, III, South Charleston, West Virginia, Counsel for the District will pass upon certain legal matters for the District. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters.

#### **ABSENCE OF MATERIAL LITIGATION**

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the District, threatened or affecting the District (or, to the District's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse affect on the District's financial position or on the validity of the Series 2009 A Bonds, the Resolution or any agreement to which the District is a party and which is a part of the issuance of the Series 2009 A Bonds.

#### **NEGOTIABLE INSTRUMENTS**

Pursuant to State law, the Series 2009 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2009 A BONDS - General."

#### **UNDERWRITING**

The Underwriter named on the cover of this Official Statement is purchasing the Series 2009 A Bonds. The Purchase Contract provides that the Underwriter will purchase all the Series 2009 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of \$38,062.50. The obligation

to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2009 A Bonds to certain dealers (including dealers depositing Series 2009 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

### **FINANCIAL STATEMENTS**

Included herein as Appendix B are the audited financial statements of the System as of and for the fiscal year ended June 30, 2008, and the report with respect to the audited financial statements as of and for the fiscal year ended June 30, 2008, dated January 5, 2009, of Bennett & Dobbins PLLC, Certified Public Accountant. The general purpose financial statements and the combined and individual fund and account group financial statements of the District (which include the System) have been audited by Bennett & Dobbins PLLC to the extent and for the period indicated in his report.

### **CONTINUING DISCLOSURE**

The District has agreed in the Resolution to execute and deliver contemporaneously with the issuance of the Series 2009 A Bonds, to provide, in accordance with the Continuing Disclosure Certificate, which shall be delivered in substantially the form attached hereto as Appendix D, for the benefit of the Registered Owners of the Series 2009 A Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the fiscal year of the Authority, commencing in 2009. The Annual Information and each notice of material events will be filed electronically by the District with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the District to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The District has agreed to give notice in a timely manner to EMMA of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2009 A Bonds. Registered Owners may contact the District's General Manager at P.O. Box 677, Sutton, West Virginia 26601 for more information. Under the Continuing Disclosure Certificate, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

### **MISCELLANEOUS**

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Resolution for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the District and the

purchasers or owners of any of the Series 2009 A Bonds. The District has authorized the execution and distribution of this Official Statement.

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**

By: /s/ Eldred Drake  
Chairman

## APPENDIX A

### General Information Regarding the District

### Braxton County, West Virginia

#### HISTORY

Braxton County (the "County") was created by an act of the Virginia General Assembly on January 15, 1836, from parts of Lewis, Kanawha, and Nicholas Counties. It was named in honor of Carter Braxton. He was a noted Virginia statesman who graduated from The College of William & Mary, was a long-time member of the Virginia House of Burgesses and a signer of the Declaration of Independence.

The first land survey in the County took place in 1784 on behalf of John Allison who had a warrant on 11,000 acres of land in the area. Adam O'Brien, an Indian scout and noted hunter, was part of the survey party. 7,000 acres of Allison's land were purchased by John Sutton of Alexandria, Virginia. His son, John D. Sutton, visited the area in 1798 and found a small, abandoned cabin on the land. He learned that John (or Adam) O'Brien once lived in the hollow of a large sycamore tree in the area around present day Sutton in 1792, 1793 or 1794, but he never did discover who had built the cabin.

The County's first permanent English settlers were the Carpenter family, including brothers Jeremiah, Benjamin, Jesse and Amos, and their mother. They arrived in 1789 or 1790 and built cabins at the mouth of the Holly River. Less than a year later, Benjamin Carpenter and his wife were killed by two Indians who were passing through the area. In 1800, Jeremiah and Henry Mace settled near present day Sutton. In 1807, Colonel John Haymond moved from Harrison County and settled near the Falls of the Little Kanawha. His three brothers, Benjamin, Daniel and John Conrad, settled three miles south of him. Also in that year, Nicholas Gibson and Asa Squires moved into the County. In 1810, John D. Sutton moved to the present site of Sutton, which, at the time, was known as Newville.

The first meeting of the County Court took place on April 11, 1836, at the home of John D. Sutton. Sutton, the county seat, had been chartered as a town by an act of the Virginia General Assembly on January 27, 1826. Originally located in Nicholas County, it had been known as Newville and later as Suttonville. The town's name was changed to Sutton on March 1, 1837, and it was incorporated on February 20, 1860.

Braxton County was the location of a famous Indian massacre. A 1764 treaty with the various Indian tribes was violated in 1772 when several Indians were murdered on the South Branch of the Potomac River by Nicholas Harpold and his companions. About the same time, Bald Eagle, an Indian chief of some notoriety, was murdered while on a hunting trip on the Monongahela River. In the meantime, Captain Bull, a Delaware Indian Chief and five other Indian families were living in Braxton County in an area known as Bulltown, about 14 miles

from present day Sutton. Captain Bull was regarded by most of the settlers in the region as friendly. But, there were some white families who suspected Captain Bull of providing information to and harboring unfriendly Indians. While away from home in June, the family of a German immigrant named Peter Stroud was murdered, presumably by Indians. The trail left by the murderers led in the general direction of Bulltown. Peter's brother, Adam Stroud, had a cabin nearby and seeing smoke rising into the sky, raced to his brother's cabin. He gathered up what was left of the bodies and buried them. Peter then headed for Hacker's Creek where he met with several others who agreed to join him in an attack on Bulltown. They killed all of the Indians in the village and threw their bodies into a nearby river. News of Captain Bull's massacre spread across the western frontier and set off a series of incidents between the Indians and the English settlers, ending eight years of peace on the western frontier.

Ann Bailey, an eccentric Englishwoman from Liverpool, was a colorful character on the frontier and a native of Braxton County. Known as "Mad Ann," she served as a messenger for the militia during the French and Indian Wars (1754-1763) and was an accomplished markswoman and hunter. It was said that she rode her famous black horse, Liverpool, like a man, with a rifle over one shoulder and a tomahawk and butcher's knife in her belt. She entertained many crowded campfires with the stories of her adventures and was welcomed at every home in the County.

## **TRANSPORTATION**

West Virginia's location within 500 miles of 60 percent of the United States population enables businesses to reach their markets quickly, efficiently, and within a reasonable budget. Braxton County's location in the heart of West Virginia and along I-79 enhances the opportunities for businesses to access markets quickly and efficiently. The County is located within one hour of the state capitol and one to two hours from other major urban areas in the state.

### **Highways**

The intersection of 2 major highway systems is located in Braxton County. I-79 is the major north-south transportation route providing direct access to the ports of the Great Lakes. In Morgantown, WV, I-79 intersects with I-68 which is a link to most major arteries on the eastern seaboard. Forty miles north of Morgantown, I-79 connects with I-70 which runs through the Midwest, and ties in with all major highway networks in the northeast. In Charleston, WV, I-79 intersects with I-77 and I-64 opening the area to the south and the Midwest. The County is also the northern terminus for the Route 19 Appalachian Corridor, which has recently been upgraded to a four lane highway. Route 19 connects on its southern end to I-64 and I-77. At least five motor freight carriers serve the area. United Parcel Services, Roadway Packing Systems, Wabash Transportation, Motor Freight and Federal Express deliver packages within the County.

### **Railroads**

Two spur railroad lines serve the County. The Elk River Railroad originates in Clay County and enters the southwestern corner of the County. It runs the length of the County to the

northwestern border where it links with CSX at the Gilmer County line. Additionally, CSX has a spur which offers services to the eastern part of the County. It originates in northern Webster County and continues to Burnsville, where it joins the main CSX line. CSX gives the area access to the ports of Newport News/Norfolk and Baltimore to the east; and Cincinnati and Chicago in the Midwest.

**Air Services**

The Braxton County Airport is a general aviation facility. Its 4,000 foot runway is capable of handling light twin-engine aircraft. With a short lead-time, charters, air taxi, and package delivery services are offered at the airport. Major airline service is provided at Clarksburg Benedum Airport and Charleston’s Yeager Airport. US Airways serves both airports, and other major carriers in Charleston include United Express, Comair, and Northwest. Through Yeager Airport, direct service is provided to airports in Houston, Charlotte, Chicago, Detroit, Cincinnati, Atlanta and both in Washington D.C. Yeager is an inland port of entry for international goods that also offers shipping and charter opportunities.

**GOVERNMENT AND PUBLIC OFFICES**

Local government and County public offices are housed in the Braxton County Courthouse and Courthouse Annex in Sutton, West Virginia.

Elected County Officials	
Name	Position
Mike Chapman	Commissioner
Teresa Frame	Commissioner
David Jack, Sr.	Commissioner
William Martin	Prosecuting Attorney
Howard Carpenter	County Sheriff
Larry Clifton	County Assessor
John Jordan	County Clerk
J. W. Morris	Circuit Clerk

**BRAXTON COUNTY – TOP TEN EMPLOYERS (MARCH 2007)**

1. Braxton County Board of Education
2. Weyerhaeuser Company
3. Braxton County Memorial Hospital
4. Go-Mart, Inc.
5. Braxton County Senior Citizens Center, Inc.
6. Central West Virginia Aging Services, Inc.
7. Mountain Cap of West Virginia
8. Bi-Con Services, Inc.
9. ANR Coal – WV, LLC.
10. John Skidmore Development, Inc. (Sutton Inn, Days Hotel)

Source: Bureau of Employment Programs, 2007

## ECONOMIC ASSETS

An advanced telecommunications infrastructure makes West Virginia one of the world's most sought-after business locations. A complete digital network provides the technology necessary for simultaneous reception or transmittal of voice, data and video, full motion video-conferencing ISDN, DDS, and Digital CENTREX services, high-speed bulk data transfer, high speed facsimile and mobile services, directed LAN interconnections, and high-speed internet connections.

Electricity in the County is provided by Allegheny Power. Locally, Allegheny Power has the capacity to serve any industry that might locate within the County with competitive rates.

The major gas supplier in the County is Hope Gas, Inc. Other smaller suppliers insure an unlimited supply of natural gas for any business or industrial user. Water and wastewater treatment are supplied by several sources. Planned upgrades to existing systems guarantee adequate water and sewer infrastructure to address business and industrial needs.

By far the most impressive local resource is timber. The following tables detail the nature and extent of the area's timber resources.

### *Area of Timberland By Stand Size Class*

Type In Thousands Of Acres	Braxton County	Contiguous Counties
Sawtimber	186	923
Poletimber	64	347
Sapling and Seedling	19	98
All Classes	270	1367

### *Area of Timberland By Forest Type Group*

Type In Thousands Of Acres	Braxton County	Contiguous Counties
White/Red Pine	3.5	3.7
Loblolly	0.0	5.3
Elm/Ash/Red Maple	3.5	2.9
Oak/Pine	3.6	17.6
Oak/Hickory	247.2	1122.0
Northern Hardwoods	11.8	219.3
All Groups	269.6	1367.4

*Net Volume of Timberland By Selected Species*

Species/Millions of Cubic Feet	Braxton	Contiguous Counties
Red Maple	17.8	237.1
Sugar Maple	24.5	118.7
Hemlock	54.3	54.3
Hickory	53.1	166.4
Beech	21.7	137.9
Yellow Poplar	112.7	29.8
Select White Oak	54.7	154.2
Select Red Oak	39.7	227.4
Total Hardwoods	482.2	2144.7

Source: Braxton County Development Authority

**LABOR FORCE**

**Wage Rates**

<i>Occupation</i>	<i>Average Annual Wages</i>
Construction	\$26,535
Manufacturing	\$23,924
Transportation/Public Utilities	\$32,109
Wholesale Trade	\$22,602
Retail Trade	\$14,511
FIRE (Finance, Insurance, Real Estate)	\$20,602
Services (Medical and Business)	\$14,870
Government	\$22,298

Source: Braxton County Development

**Population-Braxton County, West Virginia**

<b>People QuickFacts</b>	<b>Braxton County</b>	<b>West Virginia</b>
Population, 2006 estimate	14,810	1,818,470
Population, percent change, April 1, 2000 to July 1, 2006	0.7%	0.6%
Population, 2000	14,702	1,808,344
Persons under 5 years old, percent, 2005	5.0%	5.6%
Persons under 18 years old, percent, 2005	20.5%	21.1%
Persons 65 years old and over, percent, 2005	15.5%	15.3%
Female persons, percent, 2005	49.2%	51.1%
White persons, percent, 2005	98.5%	95.2%

Black persons, percent, 2005	0.7%	3.2%
American Indian and Alaska Native persons, percent, 2005	0.2%	0.2%
Asian persons, percent, 2005	0.1%	0.6%
Native Hawaiian and Other Pacific Islander, percent, 2005	0.1%	0.0%
Persons reporting two or more races, percent, 2005	0.4%	0.8%
Persons of Hispanic or Latino origin, percent, 2005	0.5%	0.9%
White persons not Hispanic, percent, 2005	98.0%	94.4%
Living in same house in 1995 and 2000, pct 5 yrs old & over	66.5%	63.3%
Foreign born persons, percent, 2000	0.2%	1.1%
Language other than English spoken at home, pct age 5+, 2000	1.4%	2.7%
High school graduates, percent of persons age 25+, 2000	67.3%	75.2%
Bachelor's degree or higher, pct of persons age 25+, 2000	9.2%	14.8%
Persons with a disability, age 5+, 2000	3,938	410,781
Mean travel time to work (minutes), workers age 16+, 2000	36.7	26.2
Housing units, 2005	7,572	872,203
Homeownership rate, 2000	78.2%	75.2%
Housing units in multi-unit structures, percent, 2000	4.7%	12.0%
Median value of owner-occupied housing units, 2000	\$59,300	\$72,800
Households, 2000	5,771	736,481
Persons per household, 2000	2.46	2.40
Median household income, 2004	\$28,171	\$33,993
Per capita money income, 1999	\$13,349	\$16,477
Persons below poverty, percent, 2004	20.1%	16.2%

<b>Business QuickFacts</b>	<b>Braxton County</b>	<b>West Virginia</b>
Private nonfarm establishments, 2005	295	40,735
Private nonfarm employment, 2005	3,122	565,499
Private nonfarm employment, percent change 2000-2005	1.2%	1.3%
Nonemployer establishments, 2004	689	87,825
Total number of firms, 2002	905	113,087
Black-owned firms, percent, 2002	F	1.3%
American Indian and Alaska Native owned firms, percent, 2002	F	0.4%
Asian-owned firms, percent, 2002	F	1.1%
Native Hawaiian and Other Pacific Islander owned firms, percent, 2002	F	0.0%
Hispanic-owned firms, percent, 2002	F	0.6%
Women-owned firms, percent, 2002	11.9%	27.7%
Manufacturers shipments, 2002 (\$1000)	NA	18,911,332

Wholesale trade sales, 2002 (\$1000)	54,223	10,924,279
Retail sales, 2002 (\$1000)	123,859	16,747,900
Retail sales per capita, 2002	\$8,364	\$9,277
Accommodation and foodservices sales, 2002 (\$1000)	15,864	1,974,851
Building permits, 2006	1	5,645
Federal spending, 2004 (\$1000)	99,238	15,183,496
	<b>Braxton</b>	<b>West</b>
<b>Geography QuickFacts</b>	<b>County</b>	<b>Virginia</b>
Land area, 2000 (square miles)	513.48	24,077.73
Persons per square mile, 2000	28.7	75.1
FIPS Code	007	54
Metropolitan or Micropolitan Statistical Area	None	

## EDUCATION

Braxton County public schools are well-equipped to give students a technological edge. All students and faculty have access to computers and the internet. The school system's focus on a quality, well-rounded education has allowed Braxton County Schools to score above the national and state averages on standardized tests.

Employers find that the labor force is computer literate and above average in many skills.

Braxton County is located within a one and one-half hour drive of four major institutions of higher learning. These colleges and universities offer access to a wide variety of two and four year degree programs including forest management, engineering and liberal arts, as well as many other disciplines. West Virginia University's research capabilities in wood products and energy related fields are especially helpful to businesses.

Glenville State College has opened a distance learning center at the Days Hotel in Flatwoods. Students unable to attend college in the traditional sense can use the facility to take college classes. When courses are not scheduled, the distance learning center is also open for commercial use. Companies can use the facility for teleconferencing with distant locations.

With three community colleges focusing on the needs of businesses and the financial resources of the state's Governor's Guaranteed Workforce Program, employers can be assured that they will have a highly skilled and productive workforce.

<b>Institution</b>	<b>Distance In Miles</b>
Glennville State College	30
WV University Institute of Technology	60
West Virginia Wesleyan College	60
West Virginia University	90

Source: Braxton County Development Authority

## **HEALTH CARE**

Braxton County Memorial Hospital, a member of CAMCARE Health System, is the anchor facility for the County's health care system. Licensed for 40 acute care beds, this hospital provides the County and surrounding areas with a wide range of services from 24-hour emergency care to general medical services and same day surgery. The Braxton Community Health Center and Women's Health and Resource Center round out a variety of services focusing on women, families and children. For patients needing treatment not offered locally, major medical centers are located in Morgantown and Charleston.

## **HOUSING**

The cost of owning or renting a home in Braxton County is considered a great bargain. The affordable cost of single family homes allows approximately 70 percent of the County's residents to own their own homes. The majority of homes fall within the \$40,000-\$75,000 price range; the same homes would be worth considerably more in other regions of the country. Monthly rentals are considerably lower than the national, regional or state averages. Choices in housing range from secluded country farms to quaint Victorian homes in a National Historic Register District.

### ***Average household size:***

Braxton County: 2.5 people

West Virginia: 2.4 people

### ***Estimated median household income in 2005***

Braxton County: \$27,500

West Virginia: \$33,452

Source: Braxton County – [www.city-data.com](http://www.city-data.com)

## RECREATION

Burnsville Lake and Sutton Lake are major recreational facilities offering marinas, boat launches, beaches and camping areas. There are more than 500 camping sites in the County and over 30,000 acres of Wildlife Management Areas offering hunting and fishing opportunities. Braxton County is home to some of the finest hunting in West Virginia including deer, turkey, bear, grouse and waterfowl, an increasingly popular game.

Plans are underway for the construction of a championship 18-hole golf course in Flatwoods. The growing popularity of the sport, first-rate accommodations and expert staffing will make the County a destination for golfers and their families.

Shopping, considered an important recreational activity by many, gives Braxton County a definite edge. Some of the best recreational shopping in the state can be found at the Flatwoods Factory Outlet Mall, home to such designer shops as Tommy Hilfiger, Jones of New York, and the Shops of the Greenbrier, West Virginia's only five-star resort. The shopping center's success can be attributed to its location on I-79, a major north-south transportation artery. Excellent sales volumes for many stores have resulted in a top ten ranking among their respective chains for business volume.

Source: Bureau of Employment Programs

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**APPENDIX B**  
**Financial Statements**

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AUDIT REPORT OF  
FLATWOODS - CANOE RUN  
PUBLIC SERVICE DISTRICT  
SUTTON, WEST VIRGINIA  
JUNE 30, 2008 AND JUNE 30, 2007

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
BOARD OF DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>POSITION</u>	<u>NAME</u>	<u>TERM EXPIRES</u>
Chairman	Eldred Drake	12/31/2013
Secretary	James Konkel	12/31/2009
Treasurer	John Gibson	12/31/2011

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
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## Bennett & Dobbins PLLC

CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue  
Fairmont, WV 26554-1604  
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA  
ZACHARY D. DOBBINS, CPA

January 5, 2009

Board of Directors  
Flatwoods - Canoe Run Public Service District  
Sutton, West Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined and combining financial statements of the business-type activities and each major fund of Flatwoods-Canoe Run Public Service District as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the District's Basic Financial Statements as listed in the table of contents. These financial statements are the responsibility of the management of Flatwoods-Canoe Run Public Service District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined and combining financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and each major fund of Flatwoods-Canoe Run Public Service District as of June 30, 2008 and June 30, 2007, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 5, 2009 on our consideration of Flatwoods-Canoe Run Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Flatwoods-Canoe Run Public Service District's taken as a whole. The schedule of prior year audit findings is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Flatwoods-Canoe Run Public Service District has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Bennett & Dobbins PLLC*

Bennett & Dobbins PLLC

FLATWOODS – CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINED FINANCIAL STATEMENTS

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF NET ASSETS**  
**JUNE 30,**

**ASSETS**

**CURRENT ASSETS**

	<u>2008</u>	<u>2007</u>
Cash	\$ 74,187	\$ 23,342
Accounts Receivable Less Allowance of \$13,099	189,281	202,112
Prepaid Expenses	24,226	-
Restricted Assets:		
Construction Fund	347,068	486,109
Cash - Customer Deposits	59,959	64,449
Municipal Bond Commission Revenue Fund	83,186	198,816
<b>TOTAL CURRENT ASSETS</b>	<u>777,907</u>	<u>974,828</u>

**NON-CURRENT ASSETS**

Restricted Assets:		
Depreciation Fund	24,190	37,133
Municipal Bond Commission Debt Reserve	262,430	290,762
Bond Issuance Costs	111,952	117,100
Capital Assets:		
Land & Construction Work in Progress	581,372	7,049,577
Other Capital Assets - Net of Accumulated Depreciation	21,457,190	14,492,797
<b>TOTAL NON-CURRENT ASSETS</b>	<u>22,437,134</u>	<u>21,987,369</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 23,215,041</u>	 <u>\$ 22,962,197</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30,**

<b>LIABILITIES</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 37,441	\$ 45,877
Taxes and Benefits Payable	26,911	6,356
Condemnations Payable	18,051	18,051
Notes Payable	-	22,440
Construction Payable	297,169	441,776
 <b>CURRENT LIABILITIES FROM RESTRICTED ASSETS</b>		
Accrued Interest	115,055	95,066
Customer Deposits Payable	51,221	55,613
Current Portion - Revenue Bonds Payable	947,047	960,308
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,492,895</u>	<u>1,645,487</u>
 <b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable - Net of Current Portion	11,838,166	11,175,485
Compensated Absences	45,289	52,629
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>11,883,455</u>	<u>11,228,114</u>
 <b>TOTAL LIABILITIES</b>	<u>\$ 13,376,350</u>	<u>\$ 12,873,601</u>
 <b>NET ASSETS</b>		
Invested In Capital Assets, Net of Related Debt	\$ 9,285,197	\$ 9,427,363
Restricted Externally or Constitutionally:		
Depreciation Fund	24,190	37,133
Bond Reserve & Revenue	345,616	489,578
Unrestricted	183,688	134,522
<b>TOTAL NET ASSETS</b>	<u>\$ 9,838,691</u>	<u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINED STATEMENT OF INCOME, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30,**

<b>OPERATING REVENUES</b>	<u>2008</u>	<u>2007</u>
Sales	\$ 1,934,100	\$ 1,964,490
Other Operating Revenues	31,601	36,245
<b>TOTAL OPERATING REVENUES</b>	<u>1,965,701</u>	<u>2,000,735</u>
 <b>OPERATING EXPENSES</b>		
Depreciation & Amortization	652,476	540,856
Purchased Water	67,302	65,092
Operation Labor	375,447	380,223
Taxes & Benefits	267,802	238,000
Administrative & General Salaries	122,107	117,720
Telephone Expense	15,347	15,408
Supplies Expense	57,833	61,432
General Expenses	39,477	48,911
Power Purchased	97,471	99,854
Maintenance and Repairs	144,808	253,665
Chemicals	32,591	25,749
Meter Reading	26,410	51,873
Outside Services	98,210	58,465
Property Insurance	70,385	43,388
<b>TOTAL OPERATING EXPENSES</b>	<u>2,067,686</u>	<u>2,000,636</u>
 <b>OPERATING INCOME (LOSS)</b>	 (101,985)	 99
 <b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Revenue	29,516	44,626
Interest Expense	(295,063)	(301,267)
In Kind OPEB Contribution	17,607	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(247,940)</u>	<u>(256,641)</u>
 <b>INCOME (LOSS) BEFORE CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	 (349,905)	 (256,542)
 <b>CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	 <u>100,000</u>	 <u>-</u>
 <b>CHANGE IN NET ASSETS</b>	 (249,905)	 (256,542)
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>10,088,596</u>	 <u>10,345,138</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 9,838,691</u>	 <u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 1,946,931	\$ 1,959,213
Cash Received from Other Operating Reserves	31,601	38,245
Cash Payments for Operation & Maintenance Expenses	(639,698)	(658,119)
Cash Payments to Employees for Services	(530,085)	(546,429)
Cash Payments for Payroll Taxes & Benefits	(247,247)	(237,784)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>561,502</u>	<u>553,126</u>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Change in Customer Deposits	(4,392)	7,142
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(4,392)</u>	<u>7,142</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition And Construction Of Capital Assets	(1,267,917)	(2,401,256)
Capital Grants Received	100,000	-
Principal Advances on Bonds & Notes	1,104,486	2,040,448
Principal Paid on Bonds & Notes	(477,506)	(349,416)
Interest Paid on Bonds	(295,281)	(301,997)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<u>(836,218)</u>	<u>(1,012,221)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	29,516	44,626
Deposits to Municipal Bond Commission	(620,795)	(558,425)
Disbursements from Municipal Bond Commission	764,758	551,878
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>173,479</u>	<u>38,079</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(105,629)	(413,874)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	611,033	1,024,907
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 505,404</u>	<u>\$ 611,033</u>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>		
Unrestricted - Cash	\$ 74,187	\$ 23,342
Restricted Cash - Depreciation Fund	24,190	37,133
Restricted Cash - Customer Deposits	59,959	64,449
Restricted Cash - Construction Fund	347,068	486,109
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<u>\$ 505,404</u>	<u>\$ 611,033</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ (101,965)	\$ 99
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation & Amortization	652,476	540,856
OPEB In Kind Expense	17,607	-
Changes In Assets And Liabilities:		
(Increase) Decrease In Accounts Receivable	12,831	(5,277)
(Increase) Decrease In Prepaid Expenses	(24,226)	-
Increase (Decrease) In Accounts Payable	(8,436)	16,998
Increase (Decrease) In Taxes & Withholding Payable	20,555	216
Increase (Decrease) In Compensated Absences	(7,340)	234
Total Adjustments	<u>663,467</u>	<u>553,027</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 561,502</u>	<u>\$ 553,126</u>
<b>NONCASH ACTIVITIES FROM INVESTING ACTIVITIES</b>		
OPEB In Kind Revenue	<u>\$ 10,388</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINING FINANCIAL STATEMENTS**

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 51,397	\$ 22,790	\$ 74,187
Accounts Receivable Less Allowance of \$13,099	89,285	99,996	189,281
Prepaid Expenses	13,047	11,179	24,226
Due To/ (From)	(53,335)	53,335	-
Restricted Assets:			
Construction Fund	870	346,198	347,068
Cash - Customer Deposits	38,558	21,401	59,959
Municipal Bond Commission Revenue Fund	79,258	3,928	83,186
<b>TOTAL CURRENT ASSETS</b>	<u>219,080</u>	<u>558,827</u>	<u>777,907</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets:			
Depreciation Fund	271	23,919	24,190
Municipal Bond Commission Debt Reserve	214,134	48,296	262,430
Bond Issuance Costs	111,952	-	111,952
Capital Assets:			
Land & Construction Work in Progress	36,361	545,011	581,372
Other Capital Assets - Net of Accumulated Depreciation	12,441,287	9,015,903	21,457,190
<b>TOTAL NON-CURRENT ASSETS</b>	<u>12,804,005</u>	<u>9,633,129</u>	<u>22,437,134</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,023,085</u>	<u>\$ 10,191,956</u>	<u>\$ 23,215,041</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 8,485	\$ 14,857	\$ 23,342
Accounts Receivable Less Allowance of \$13,099	93,121	108,991	202,112
Due To/ (From)	(41,335)	41,335	-
Restricted Assets:			
Construction Fund	23,958	462,151	486,109
Cash - Customer Deposits	42,645	21,804	64,449
Municipal Bond Commission Revenue Fund	127,472	71,344	198,816
<b>TOTAL CURRENT ASSETS</b>	<u>254,346</u>	<u>720,482</u>	<u>974,828</u>
<b>NON-CURRENT ASSETS</b>			
Restricted Assets:			
Depreciation Fund	10,880	26,253	37,133
Municipal Bond Commission Debt Reserve	221,824	68,938	290,762
Bond Issuance Costs	117,100	-	117,100
Capital Assets:			
Land & Construction Work in Progress	6,923,007	126,570	7,049,577
Other Capital Assets - Net of Accumulated Depreciation	5,134,435	9,358,362	14,492,797
<b>TOTAL NON-CURRENT ASSETS</b>	<u>12,407,246</u>	<u>9,580,123</u>	<u>21,987,369</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,661,592</u>	<u>\$ 10,300,605</u>	<u>\$ 22,962,197</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2008**

	Water	Sewer	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 17,800	\$ 19,641	\$ 37,441
Taxes and Benefits Payable	15,881	11,030	26,911
Condemnations Payable	-	18,051	18,051
Notes Payable	-	-	-
Construction Payable	20,046	277,123	297,169
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest	31,678	83,377	115,055
Customer Deposits Payable	30,746	20,475	51,221
Current Portion - Revenue Bonds Payable	216,692	730,355	947,047
<b>TOTAL CURRENT LIABILITIES</b>	<b>332,843</b>	<b>1,160,052</b>	<b>1,492,895</b>
<b>LONG-TERM LIABILITIES</b>			
Revenue Bonds Payable - Net of Current Portion	8,797,600	3,040,566	11,838,166
Compensated Absences	26,765	18,524	45,289
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>8,824,365</b>	<b>3,059,090</b>	<b>11,883,455</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 9,157,208</b>	<b>\$ 4,219,142</b>	<b>\$ 13,376,350</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	\$ 3,444,180	\$ 5,841,017	\$ 9,285,197
Restricted Externally or Constitutionally:			
Depreciation Fund	271	23,919	24,190
Bond Reserve & Revenue	293,392	52,224	345,616
Unrestricted	128,034	55,654	183,688
<b>TOTAL NET ASSETS</b>	<b>\$ 3,865,877</b>	<b>\$ 5,972,814</b>	<b>\$ 9,838,691</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
**JUNE 30, 2007**

	Water	Sewer	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 30,716	\$ 15,161	\$ 45,877
Taxes and Benefits Payable	5,001	1,355	6,356
Condemnations Payable	-	18,051	18,051
Notes Payable	5,500	16,940	22,440
Construction Payable	441,776	-	441,776
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Accrued Interest	32,074	62,992	95,066
Customer Deposits Payable	34,679	20,934	55,613
Current Portion - Revenue Bonds Payable	232,045	728,263	960,308
<b>TOTAL CURRENT LIABILITIES</b>	<b>781,791</b>	<b>863,696</b>	<b>1,645,487</b>
<b>LONG-TERM LIABILITIES</b>			
Revenue Bonds Payable - Net of Current Portion	7,913,592	3,261,893	11,175,485
Compensated Absences	32,970	19,659	52,629
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>7,946,562</b>	<b>3,281,552</b>	<b>11,228,114</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 8,728,353</b>	<b>\$ 4,145,248</b>	<b>\$ 12,873,601</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	\$ 3,488,487	\$ 5,938,876	\$ 9,427,363
Restricted Externally or Constitutionally:			
Depreciation Fund	10,880	26,253	37,133
Bond Reserve & Revenue	349,296	140,282	489,578
Unrestricted	84,576	49,946	134,522
<b>TOTAL NET ASSETS</b>	<b>\$ 3,933,239</b>	<b>\$ 6,155,357</b>	<b>\$ 10,088,596</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF INCOME, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Sales	\$ 1,064,531	\$ 869,569	\$ 1,934,100
Other Operating Revenues	25,315	6,286	31,601
<b>TOTAL OPERATING REVENUES</b>	<b>1,089,846</b>	<b>875,855</b>	<b>1,965,701</b>
 <b>OPERATING EXPENSES</b>			
Depreciation & Amortization	284,859	367,617	652,476
Purchased Water	67,302	-	67,302
Operation Labor	220,875	154,572	375,447
Taxes & Benefits	157,733	110,069	267,802
Administrative & General Salaries	60,351	61,756	122,107
Telephone Expense	11,866	3,481	15,347
Supplies Expense	30,463	27,370	57,833
General Expenses	17,759	21,718	39,477
Power Purchased	54,058	43,413	97,471
Maintenance and Repairs	85,694	59,114	144,808
Chemicals	32,591	-	32,591
Meter Reading	26,410	-	26,410
Outside Services	37,502	60,708	98,210
Property Insurance	41,588	28,797	70,385
<b>TOTAL OPERATING EXPENSES</b>	<b>1,129,051</b>	<b>938,615</b>	<b>2,067,666</b>
 <b>OPERATING INCOME (LOSS)</b>	<b>(39,205)</b>	<b>(62,760)</b>	<b>(101,965)</b>
 <b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	11,747	17,769	29,516
Interest Expense	(150,292)	(144,771)	(295,063)
In Kind OPEB Contribution	10,388	7,219	17,607
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(128,157)</b>	<b>(119,783)</b>	<b>(247,940)</b>
 <b>INCOME (LOSS) BEFORE CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	<b>(167,362)</b>	<b>(182,543)</b>	<b>(349,905)</b>
 <b>CAPITAL GRANTS &amp; CONTRIBUTIONS</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
 <b>CHANGE IN NET ASSETS</b>	<b>(67,362)</b>	<b>(182,543)</b>	<b>(249,905)</b>
 <b>NET ASSETS - BEGINNING OF YEAR</b>	<b>3,933,239</b>	<b>6,155,357</b>	<b>10,088,596</b>
 <b>NET ASSETS - END OF YEAR</b>	<b>\$ 3,865,877</b>	<b>\$ 5,972,814</b>	<b>\$ 9,838,691</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF INCOME, EXPENSES AND CHANGES**  
**IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Sales	\$ 1,043,689	\$ 920,801	\$ 1,964,490
Other Operating Revenues	20,665	15,580	36,245
<b>TOTAL OPERATING REVENUES</b>	<u>1,064,354</u>	<u>936,381</u>	<u>2,000,735</u>
<b>OPERATING EXPENSES</b>			
Depreciation & Amortization	171,920	368,936	540,856
Purchased Water	65,092	-	65,092
Operation Labor	232,861	147,362	380,223
Taxes & Benefits	145,350	92,650	238,000
Administrative & General Salaries	59,750	57,970	117,720
Telephone Expense	12,186	3,222	15,408
Supplies Expense	19,112	42,320	61,432
General Expenses	20,208	28,703	48,911
Power Purchased	56,262	43,592	99,854
Maintenance and Repairs	102,586	151,079	253,665
Chemicals	25,749	-	25,749
Meter Reading	51,873	-	51,873
Outside Services	26,016	32,449	58,465
Property Insurance	22,538	20,850	43,388
<b>TOTAL OPERATING EXPENSES</b>	<u>1,011,503</u>	<u>989,133</u>	<u>2,000,636</u>
<b>OPERATING INCOME (LOSS)</b>	52,851	(52,752)	99
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	17,101	27,525	44,626
Interest Expense	(155,150)	(146,117)	(301,267)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(138,049)</u>	<u>(118,592)</u>	<u>(256,641)</u>
<b>CHANGE IN NET ASSETS</b>	(85,198)	(171,344)	(256,542)
<b>NET ASSETS - BEGINNING OF YEAR - RESTATED</b>	<u>4,018,437</u>	<u>6,326,701</u>	<u>10,345,138</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,933,239</u>	<u>\$ 6,155,357</u>	<u>\$ 10,088,596</u>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,068,367	\$ 878,564	\$ 1,946,931
Cash Received from Other Operating Reserves	25,315	6,286	31,601
Cash Payments for Operation & Maintenance Expenses	(395,617)	(244,061)	(639,698)
Cash Payments to Employees for Services	(312,622)	(217,463)	(530,085)
Cash Payments for Payroll Taxes & Benefits	(146,853)	(100,394)	(247,247)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>238,590</b>	<b>322,912</b>	<b>561,502</b>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Change in Customer Deposits	(3,933)	(459)	(4,392)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(3,933)</b>	<b>(459)</b>	<b>(4,392)</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	(1,121,647)	(146,270)	(1,267,917)
Capital Grants Received	100,000	-	100,000
Principal Advances on Bonds & Notes	1,104,486	-	1,104,486
Principal Paid on Bonds & Notes	(241,331)	(236,175)	(477,506)
Interest Paid on Bonds	(150,688)	(144,593)	(295,281)
Advances From (To) Other Department	12,000	(12,000)	-
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(297,180)</b>	<b>(539,038)</b>	<b>(836,218)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	11,747	17,769	29,516
Deposits to Municipal Bond Commission	(387,270)	(233,525)	(620,795)
Disbursements from Municipal Bond Commission	443,174	321,584	764,758
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>57,651</b>	<b>105,828</b>	<b>173,479</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,128</b>	<b>(110,757)</b>	<b>(105,629)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>85,958</b>	<b>525,065</b>	<b>611,033</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 91,096</b>	<b>\$ 414,308</b>	<b>\$ 505,404</b>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>			
Unrestricted - Cash	\$ 51,397	\$ 22,790	\$ 74,187
Restricted Cash - Depreciation Fund	271	23,919	24,190
Restricted Cash - Customer Deposits	36,558	21,401	59,959
Restricted Cash - Construction Fund	870	346,198	347,068
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 91,096</b>	<b>\$ 414,308</b>	<b>\$ 505,404</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (39,205)	\$ (62,760)	\$ (101,965)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:			
Depreciation & Amortization	284,859	367,617	652,476
OPEB In Kind Expense	10,388	7,219	17,607
Changes In Assets And Liabilities:			
(Increase) Decrease In Accounts Receivable	3,836	8,995	12,831
(Increase) Decrease In Prepaid Expenses	(13,047)	(11,179)	(24,226)
Increase (Decrease) In Accounts Payable	(12,916)	4,480	(8,436)
Increase (Decrease) In Taxes & Withholding Payable	10,880	9,675	20,555
Increase (Decrease) In Compensated Absences	(6,205)	(1,135)	(7,340)
Total Adjustments	277,795	365,672	663,467
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 238,590</b>	<b>\$ 322,912</b>	<b>\$ 561,502</b>
<b>NONCASH ACTIVITIES FROM INVESTING ACTIVITIES</b>			
OPEB In Kind Revenue	<b>\$ 10,388</b>	<b>\$ -</b>	<b>\$ 10,388</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,040,302	\$ 918,911	\$ 1,959,213
Cash Received from Other Operating Reserves	20,665	15,580	36,245
Cash Payments for Operation & Maintenance Expenses	(339,656)	(318,463)	(658,119)
Cash Payments to Employees for Services	(338,820)	(207,609)	(546,429)
Cash Payments for Payroll Taxes & Benefits	(141,401)	(96,383)	(237,784)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>241,090</b>	<b>312,036</b>	<b>553,126</b>
<b>CASH FLOWS FROM NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Change in Customer Deposits	6,549	593	7,142
<b>NET CASH PROVIDED BY NON-CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>6,549</b>	<b>593</b>	<b>7,142</b>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>			
Acquisition And Construction Of Capital Assets	(2,401,256)	-	(2,401,256)
Principal Advances on Bonds & Notes	2,040,448	-	2,040,448
Principal Paid on Bonds & Notes	(113,264)	(236,152)	(349,416)
Interest Paid on Bonds	(155,725)	(146,272)	(301,997)
<b>NET CASH USED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>(629,797)</b>	<b>(382,424)</b>	<b>(1,012,221)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	17,101	27,525	44,626
Deposits to Municipal Bond Commission	(247,643)	(310,782)	(558,425)
Disbursements from Municipal Bond Commission	251,528	300,350	551,878
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>20,986</b>	<b>17,093</b>	<b>38,079</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(361,172)</b>	<b>(52,702)</b>	<b>(413,874)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>447,140</b>	<b>577,767</b>	<b>1,024,907</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 85,968</b>	<b>\$ 525,065</b>	<b>\$ 611,033</b>
<b>RECONCILIATION TO STATEMENT OF NET ASSETS</b>			
Unrestricted - Cash	\$ 8,485	\$ 14,857	\$ 23,342
Restricted Cash - Depreciation Fund	10,880	26,253	37,133
Restricted Cash - Customer Deposits	42,645	21,804	64,449
Restricted Cash - Construction Fund	23,958	462,151	486,109
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 85,968</b>	<b>\$ 525,065</b>	<b>\$ 611,033</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 52,851	\$ (52,752)	\$ 99
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:			
Depreciation & Amortization	171,920	368,936	540,856
Changes In Assets And Liabilities:			
(Increase) Decrease In Accounts Receivable	(3,387)	(1,890)	(5,277)
Increase (Decrease) In Accounts Payable	13,246	3,752	16,998
Increase (Decrease) In Taxes & Withholding Payable	3,949	(3,733)	216
Increase (Decrease) In Compensated Absences	2,511	(2,277)	234
Total Adjustments	188,239	364,788	553,027
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 241,090</b>	<b>\$ 312,036</b>	<b>\$ 553,126</b>

See accompanying notes to the financial statements.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND JUNE 30, 2007**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History of Entity - The Flatwoods - Canoe Run Public Service District was created by the Braxton County Commission in 1972 (water) and 1991 (sewer). The Public Service District was created to provide water and sewer service to all portions of Braxton County, West Virginia, and this represents the customer base of the District.

Measurement Focus, Basis of Accounting, And Financial Statement Presentation - The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Districts also have the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District has two major funds. The statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues for the District are charges to customers for sales or services and tap fees intended to recover the cost of connecting new customers to the system. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then the unrestricted resources as needed. See Note 2 for information describing restricted assets.

Cash - Cash is on deposit with different institutions which are F.D.I.C. insured. For purposes of the statement of cash flows, the District considers cash and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents only. At various times throughout the year the District had amounts in banks that exceeded F.D.I.C. coverage and pledged assets. This represents a potential for loss. The District is authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: commercial paper rated A-1 by Standard & Poor's Corporation or by P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements. The District is also authorized to enter into reverse repurchase agreements.

All carrying values are the same as market value.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents (Continued)

Cash and cash equivalents are composed of the following:

June 30, 2008	Amount	Interest Rate	Maturity Date
Checking	\$ 51,121	0%	N/A
Checking	(3)	0%	N/A
Checking	279	0%	N/A
Savings	38,558	.25%	N/A
Savings	271	0%	N/A
Checking	870	0%	
Checking	21,401	.25%	N/A
Savings	23,919	.25%	N/A
Checking	150	0%	N/A
Checking	22,790	0%	N/A
Savings	346,048	1.5%	
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 505,404</b>		

Unrestricted Cash & Cash Equivalents	\$ 74,187
Restricted Cash & Cash Equivalents	431,217
<b>Total</b>	<b>\$ 505,404</b>

June 30, 2007	Amount	Interest Rate	Maturity Date
Checking	\$ 7,983	0%	N/A
Checking	474	0%	N/A
Checking	28	0%	N/A
Savings	42,645	.25%	N/A
Checking	23,958	0%	N/A
Savings	10,880	.25%	N/A
Checking	21,804	.25%	N/A
Savings	26,253	.25%	N/A
Checking	13,057	0%	N/A
Checking	14,114	0%	N/A
Checking	743	.70%	N/A
Savings	449,094	4.75%	
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 611,033</b>		

Unrestricted Cash & Cash Equivalents	\$ 23,342
Restricted Cash & Cash Equivalents	587,691
<b>Total</b>	<b>\$ 611,033</b>

Inventory - The District does not maintain an inventory. Supplies are purchased on an as needed basis.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Bad Debts - Accounts Receivable at June 30, 2008 and June 30, 2007 totaled \$202,380 and \$215,211. The balance in the allowance for uncollectible accounts at June 30, 2008 and June 30, 2007 totaled \$13,099.

Income Tax - The Flatwoods - Canoe Run Public Service District is exempt from federal and state income taxes as a political subdivision of county government.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Capital and Capital Grants - Proprietary Funds - Grants, entitlements and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As required by GASB 33, the District has recognized capital contributions as revenue rather than as contributed capital.

Customer Deposits - Customer deposits are refunded after bills for service have been paid on time for twelve consecutive months.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Net Assets - Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

2. RESTRICTED CASH

These accounts represent amounts that are restricted in their use. The Depreciation Fund and the Debt Reserve are requirements of the bond covenants. All other restricted cash accounts are the result of water and sewer construction activity and the WV Public Service Commission. The accounts for the sewer and water revenue bonds as of June 30, 2008 and June 30, 2007 had a balance of \$369,806 and \$526,711. The balance of accounts restricted for construction and customer deposits as of June 30, 2008 and June 30, 2007 was \$407,027 and \$550,558.

The District has four letters of credit amounting to \$292,805 to cover the sewer's deficiency in reserve accounts. The interest rate on these letters of credit is 12%.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**3. CAPITAL ASSETS AND DEPRECIATION**

Water

Capital Assets are stated at original cost. All assets are capitalized.

Changes in the Capital Assets account are as follows:

	Balance 6/30/07	Additions	Reclassifications	Balance 6/30/08
Capital Assets Not Depreciated:				
Land & Construction Work in Progress	\$ 6,923,007	\$ -	\$ (6,886,646)	\$ 36,361
Capital Assets Depreciated:				
Structures & Improvements	57,558	-	-	57,558
Booster Stations	1,007,879	-	-	1,007,879
Pumping Equipment	9,167	-	-	9,167
Reservoirs and Standpipe	325,262	-	-	325,262
Transmissions & Distribution				
Mains	6,248,371	5,936,593	-	12,184,964
Services	44,977	336,191	-	381,168
Meters	54,217	231,422	-	285,639
Hydrants	-	74,275	-	74,275
Other Transmission & Distribution	3,159	-	-	3,159
Office Furniture and Equipment	7,243	200	-	7,443
Transportation Equipment	97,427	-	-	97,427
Shop Equipment	27,703	-	-	27,703
Communications Equipment	7,298	-	-	7,298
Power Operated Equipment	20,026	-	-	20,026
Water Treatment Equipment	6,230	-	-	6,230
Total Capital Assets, Depreciated	<u>6,908,638</u>	<u>7,586,560</u>	-	<u>14,495,188</u>
Accumulated Depreciation	<u>(1,774,203)</u>	<u>(279,711)</u>	-	<u>(2,053,914)</u>
Other Capital Assets Net of Accumulated Depreciation	<u>\$ 5,134,435</u>	<u>\$ 7,306,849</u>	<u>\$ -</u>	<u>\$ 12,441,284</u>

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008 AND JUNE 30, 2007

3. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

	<u>Balance</u> 6/30/06	<u>Additions</u>	<u>Reclassifications</u>	<u>Balance</u> 6/30/07
Capital Assets Not Depreciated:				
Land & Construction Work in Progress	\$ 4,447,497	\$ 2,475,510	-	\$ 6,923,007
Capital Assets Depreciated:				
Structures & Improvements	57,558	-	-	57,558
Pumping Equipment	9,167	-	-	9,167
Reservoirs and Standpipe	325,262	-	-	325,262
Transmissions & Distribution				
Mains	6,241,291	7,080	-	6,248,371
Services	44,977	-	-	44,977
Meters	54,217	-	-	54,217
Other Transmission & Distribution	3,159	-	-	3,159
Office Furniture and Equipment	7,243	-	-	7,243
Transportation Equipment	94,063	3,364	-	97,427
Shop Equipment	22,703	5,000	-	27,703
Communications Equipment	7,298	-	-	7,298
Power Operated Equipment	20,026	-	-	20,026
Water Treatment Equipment	6,230	-	-	6,230
Total Capital Assets, Depreciated	<u>6,893,194</u>	<u>15,444</u>	<u>-</u>	<u>6,908,638</u>
Accumulated Depreciation	<u>(1,607,431)</u>	<u>(166,772)</u>	<u>-</u>	<u>(1,774,203)</u>
Other Capital Assets Net of Accumulated Depreciation	<u>\$ 5,285,763</u>	<u>\$ (151,328)</u>	<u>-</u>	<u>\$ 5,134,435</u>

Part of the cost of Capital Assets is charged against earnings each year as depreciation expense. The useful lives employed in the computation of depreciation expense using the straight-line method are as follows:

	<u>Estimated</u> <u>Life</u>
Structures, Transmissions Mains	10-40 years
Pumping Equipment	15 years
Services and Meters	10-40 years
Office Furniture and Equipment	5-20 years
Reserves and Standpipes	40 years
Booster Stations	25 years
Hydrants	20 years

Sewer

Capital Assets are stated at original cost. All assets are capitalized.

Changes in the Capital Assets account are as follows:

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**3. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

	Balance 6/30/07	Additions	Balance 6/30/08
Capital Assets Not Depreciated:			
Land & Construction Work in Progress	\$ 126,570	\$ 418,441	\$ 545,011
Capital Assets Depreciated:			
Structures & Improvements	7,490	-	7,490
Pumping Equipment	143,838	25,161	168,999
Collecting Mains	29,306	-	29,306
Services	1,866	-	1,866
Office Furniture and Equipment	34,641	-	34,641
Transportation Equipment	41,188	-	41,188
Shop Equipment	43,780	-	43,780
Treatment Plant	13,748,280	-	13,748,280
Total Capital Assets, Depreciated	14,050,389	25,161	14,075,550
Accumulated Depreciation	(4,692,027)	(367,617)	(5,059,644)
Other Capital Assets Net of Accumulated Depreciation	\$ 9,358,362	\$ (342,456)	\$ 9,015,906
	Balance 6/30/06	Additions	Balance 6/30/07
Capital Assets Not Depreciated:			
Land & Construction Work in Progress	\$ 106,363	\$ 20,207	\$ 126,570
Capital Assets Depreciated:			
Structures & Improvements	7,490	-	7,490
Pumping Equipment	143,838	-	143,838
Collecting Mains	29,306	-	29,306
Services	1,866	-	1,866
Office Furniture and Equipment	34,641	-	34,641
Transportation Equipment	41,188	-	41,188
Shop Equipment	43,780	-	43,780
Treatment Plant	13,748,280	-	13,748,280
Total Capital Assets, Depreciated	14,050,389	-	14,050,389
Accumulated Depreciation	(4,323,092)	(368,935)	(4,692,027)
Other Capital Assets Net of Accumulated Depreciation	\$ 9,727,297	\$ (368,935)	\$ 9,358,362

Part of the cost of Capital Assets is charged against earnings each year as depreciation expense. The useful lives employed in the computation of depreciation expense using the straight-line method are as follows:

	Estimated Life
Collecting Mains	10-40 years
Structures & Improvements	10-30 years
Pumping Equipment	7-15 years
Services	10-20 years
Office Furniture and Equipment	5-10 years
Treatment Plant	40 years

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007

4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE

Water

1. 1996 Revenue Bonds payable at 4.875% interest to the United States Department of Agriculture – Farmers Home Administration (Rural Development) due through 2036, payable in monthly installments of \$1,160, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
2. 1996 Revenue Bonds payable at 4.875% interest to the United States Department of Agriculture – Farmers Home Administration, due through 2036, payable in monthly installments of \$339, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
3. 1998 Revenue Bonds payable at 3% interest to the West Virginia Infrastructure Fund, due through 2038, payable in quarterly installments of \$9,666, including interest. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
4. 2001 Water Revenue Bonds in the principal amount of \$2,240,000 due through 2041, payable in annual installments of \$154,234, with interest paid quarterly of a maximum of 5.65%. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
5. In May, 2003, the District purchased a new pickup truck and financed it through the Bank of Gassaway on a five year term at 7.5% interest with monthly payments of \$518.14. The truck serves as collateral on this loan. The loan was paid off during the June 30, 2008 fiscal year.
6. 2005 Series A Water Revenue Bonds in the principal amount of \$5,085,825 due through 2045 from West Virginia Infrastructure Fund, payable in quarterly installments of \$33,241 with 0% interest. As of June 30, 2008 and June 30, 2007, \$4,952,862 and \$4,929,210 of the loan has been drawn down. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.
7. 2005 Series B Water Revenue Bonds in the principal amount of \$84,180 due through 2007 payable in two installments with interest at 5%. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system. These bonds were paid off during the June 30, 2008 fiscal year.
8. Note payable with De Lage Landen financing for the purchase of a Sullair Compressor with twelve monthly payments of \$903 at 0% interest. This note was paid off during the June 30, 2008 fiscal year.
9. 2007 Series A Water Revenue Bonds in the principal amount of not more than \$1,014,000 due through 2048, from the WV Infrastructure Fund payable in quarterly installments of \$6,541 with 0% interest. As of June 30, 2008 and June 30, 2007, \$976,621 and \$28,750 of the loan has been drawn down. These bonds were issued for additions to the water system and are secured by a lien on the net revenues of the system.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007

4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE (CONTINUED)

Sewer

1. 1990-A Revenue Bonds payable at 8.10% interest to the West Virginia Water Development Authority, due through 2029, payable in annual installments of \$98,066, including interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
2. 1990-B Supplement Revenue Bonds payable to the West Virginia Water Development Authority, due through 2029, payable in annual installments of \$1,364, without interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
3. 1991-A Revenue Bonds payable at 7.75% interest to the West Virginia Water Development Authority, due through 2031, payable in annual installments of \$22,188, including interest, on October 1<sup>st</sup> of each year. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
4. 1991-B Supplemental Revenue Bonds payable to the West Virginia Water Development Authority, due through 2031, payable in annual installments of \$236, without interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
5. 1990-C Bond payable at 5.0% interest to the United States Department of Agriculture – Farmers Home Administration (Rural Development), due through 2030, payable in monthly installments of \$5,490, including interest. These bonds were issued for construction of the sewer system and are secured by a lien on the net revenues of the system.
6. 1994 Revenue Bonds payable to the West Virginia Division of Environmental Protection (Water Pollution Control Revolving Fund Loan), due through 2014, payable in quarterly installments of \$38,105, without interest. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system.
7. 1997 Revenue Bonds payable to the West Virginia Division of Environmental Protection (Water Pollution Control Revolving Fund Loan), due through 2018, payable in quarterly installments of \$5,000, without interest. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system.
8. The District has a \$103,661 construction line of credit with the Bank of Gassaway, which supports borrowing arrangements from the State Revolving Loan Fund. The interest rate on the line of credit is 8% per annum. The line of credit is unsecured.
9. 2006 Bond Anticipation Note with BB&T in the amount of \$509,800. Interest only payments currently, principal to be repaid February 28, 2009. These bonds were issued for additions to the sewer system and are secured by a lien on the net revenues of the system. The interest rate is 3.97%.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**4. LONG - TERM LIABILITIES - BONDS AND NOTES PAYABLE (CONTINUED)**

Water	Balance 6/30/07	Advances	Principal Reduction	Balance 6/30/08
1996 Series A	\$ 215,023	\$ -	\$ 3,682	\$ 211,341
1996 Series B	62,625	-	1,087	61,538
1998 Series B	782,295	-	15,365	766,930
2001	2,085,000	-	40,000	2,045,000
Bank of Gassaway	5,500	-	5,500	-
2005 Series A	4,929,210	156,615	132,963	4,952,862
2005 Series B	42,734	-	42,734	-
2007 Series A	28,750	947,871	-	976,621
Total	\$ 8,151,137	\$ 1,104,486	\$ 241,331	\$ 9,014,292

Water	Balance 6/30/06	Advances	Principal Reduction	Balance 6/30/07
1996 Series A	\$ 218,395	\$ -	\$ 3,372	\$ 215,023
1996 Series B	63,620	-	995	62,625
1998 Series B	797,208	-	14,913	782,295
2001	2,125,000	-	40,000	2,085,000
Bank of Gassaway	11,062	-	5,562	5,500
2005 Series A	2,917,512	2,011,698	-	4,929,210
2005 Series B	84,180	-	41,446	42,734
2007 Series A	-	28,750	-	28,750
De Lage Landen	6,976	-	6,976	-
Total	\$ 6,223,953	\$ 2,040,448	\$ 113,264	\$ 8,151,137

Water	June 30, 2008		June 30, 2007	
	Due Within One Year	Principal & Interest Payments Made	Due Within One Year	Principal & Interest Payments Made
Bond				
1996 Series A	\$ 3,699	\$ 13,920	\$ 3,515	\$ 13,920
1996 Series B	1,092	4,068	1,038	4,068
1998 Series B	15,831	38,662	15,365	38,663
2001	38,691	154,234	36,430	154,233
Bank of Gassaway	-	-	5,500	6,218
2005 Series A	132,963	132,963	132,963	-
2005 Series B	-	-	42,734	44,618
De Lage Landen	-	-	-	7,275
2007 Series A	24,415	24,415	-	-
Total	\$ 216,691	\$ 368,262	\$ 237,545	\$ 268,995

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE (CONTINUED)**

All bonds are secured by a lien on the net revenues in addition to a statutory mortgage lien on all assets of the District.

Water

Principal and interest payments on the water bonds are as follows:

Year	Principal	Interest	Total
2009	\$ 216,691	\$ 151,570	\$ 368,261
2010	219,599	148,663	368,262
2011	222,652	145,610	368,262
2012	225,865	142,397	368,262
2013	229,245	139,017	368,262
2014-2018	1,203,395	637,912	1,841,307
2019-2023	1,318,599	522,708	1,841,307
2024-2028	1,467,418	373,890	1,841,308
2029-2033	1,683,986	181,323	1,865,309
2034-2038	1,009,115	18,794	1,027,909
2039-2043	796,483	74	796,557
2044-2048	421,244	-	421,244
<b>Total</b>	<b>\$ 9,014,292</b>	<b>\$ 2,461,958</b>	<b>\$ 11,476,250</b>

Sewer	Balance 6/30/07	Advances	Principal Reduction	Balance 6/30/08
1990 Series A	\$ 1,008,837	\$ -	\$ 16,350	\$ 992,487
1990 Series B	31,378	-	1,364	30,014
1991 Series A	243,372	-	3,453	239,919
1991 Series B	5,894	-	236	5,658
1990 Series C	833,525	-	25,412	808,113
1994	1,143,150	-	152,420	990,730
1997	215,000	-	20,000	195,000
Bank of Gassaway	16,940	-	16,940	-
2006 Bond Anticipation	509,000	-	-	509,000
<b>Total</b>	<b>\$ 4,007,096</b>	<b>\$ -</b>	<b>\$ 236,175</b>	<b>\$ 3,770,921</b>

Sewer	Balance 6/30/06	Advances	Principal Reduction	Balance 6/30/07
1990 Series A	\$ 1,023,962	\$ -	\$ 15,125	\$ 1,008,837
1990 Series B	32,742	-	1,364	31,378
1991 Series A	246,576	-	3,204	243,372
1991 Series B	6,129	-	235	5,894
1990 Series C	857,184	-	23,659	833,525
1994	1,295,570	-	152,420	1,143,150
1997	235,000	-	20,000	215,000
Bank of Gassaway	37,085	-	20,145	16,940
2006 Bond Anticipation	509,000	-	-	509,000
<b>Total</b>	<b>\$ 4,243,248</b>	<b>\$ -</b>	<b>\$ 236,152</b>	<b>\$ 4,007,096</b>

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT**  
**NOTES OF FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND JUNE 30, 2007**

**4. LONG - TERM LIABILITIES – BONDS AND NOTES PAYABLE (CONTINUED)**

Sewer	June 30, 2008		June 30, 2007	
	Due	Principal &	Due	Principal &
	Within	Interest	Within	Interest
Bond	One Year	Payments Made	One Year	Payments Made
1990 Series A	\$ 17,676	\$ 98,066	\$ 16,350	\$ 97,453
1990 Series B	1,364	1,364	1,364	1,364
1991 Series A	3,595	22,189	3,328	22,189
1991 Series B	235	235	235	235
1990 Series C	26,066	65,880	24,766	65,880
1994	152,420	152,420	152,420	152,420
1997	20,000	22,025	20,000	22,025
Bank of Gassaway	-	-	16,940	20,857
2006 Bond Anticipation	509,000	-	509,800	-
Total	\$ 730,356	\$ 362,179	\$ 745,203	\$ 382,423

Sewer

Principal and interest payments on the sewer bonds are as follows:

Year	Principal	Interest	Total
2009	\$ 730,356	\$ 140,823	\$ 871,179
2010	224,399	137,780	362,179
2011	227,649	134,530	362,179
2012	231,119	131,060	362,179
2013	234,826	127,354	362,180
2014-2018	700,749	569,652	1,270,401
2019-2023	516,436	422,236	938,672
2024-2028	647,181	228,424	875,605
2029-2033	258,206	38,421	296,627
Total	\$ 3,770,921	\$ 1,930,280	\$ 5,701,201

**5. EMPLOYEES RETIREMENT SYSTEM**

Plan Descriptions, Contribution Information and Funding Policies

**Public Employee Retirement System (PERS)**

Flatwoods - Canoe Run Public Service District participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**5. EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

	<u>Public Employees Retirement System</u>
Eligibility to participate	All full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

*Trend Information*

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
6/30/08	\$ 78,016	100%
6/30/07	\$ 81,040	100%
6/30/06	\$ 71,003	100%

PERS issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

**6. COMPENSATED ABSENCES**

Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. The liability for accumulated vacation leave has been recorded in accordance with GASB Statement No. 16.

District employees earn sick leave benefits which accumulate, but do not vest. The District is not obligated for sick leave and does not record a liability for accumulated sick leave for employees.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**7. SYSTEM USERS**

As of June 30, 2008 and June 30, 2007, Flatwoods - Canoe Run Public Service District served a total of 1,172 and 1,170 sewer and 1,797 and 1,747 water users.

**8. DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. The non-pooled deposits are categorized to give an indication of the level of risk assumed by the Flatwoods - Canoe Run Public Service District at fiscal year end.

The District has no interest rate risk policy.

	June 30, 2008		June 30, 2007	
	Book Balance	Bank Value	Book Balance	Bank Value
<u>Depository Accounts</u>				
Insured	\$ 259,357	\$ 285,002	\$ 252,658	\$ 268,360
Collateralized by securities held by pledging bank's Trust Department in the District's name	-	26,433	358,375	359,957
Uninsured and Uncollateralized	246,047	246,047	-	-
Total Deposits	<u>\$ 505,404</u>	<u>\$ 557,482</u>	<u>\$ 611,033</u>	<u>\$ 628,317</u>

**9. EXTERNAL INVESTMENT POOLS**

The District has 25 accounts with the WV Municipal Bond Commission. These funds are invested in the Government Money Market Pool at the Investment Management Board, through the West Virginia State Treasury which is a special revenue agency of State Government. It is under the management of an outside professional investment manager who has managed the investments for more than 16 years. This pool is limited to full faith and credit US Treasury Investment of less than 13 months maturity, and has an average maturity of 90 days. The pool is a variable rate pool in which interest rates fluctuate monthly. Accounts receive credit from the date of deposit to the date of withdrawal, and interest distribution is calculated on the basis of average daily balance. No interest is earned by accounts with an average monthly balance of less than \$50. Interest is calculated and posted to each account on the first day of the following month by computer.

The following is a statement of interest earnings for the funds of the Commission which were invested in the Pool at the Investment Management Board:

June 2007	5.113%	October 2007	4.79%	February 2008	3.58%
July 2007	5.11%	November 2007	4.67%	March 2008	3.16%
August 2007	5.18%	December 2007	4.57%	April 2008	2.59%
September 2007	5.01%	January 2008	4.31%	May 2008	2.33%

The average interest rate for the years was 4.20%.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**9. EXTERNAL INVESTMENT POOLS (CONTINUED)**

The MBC accounts are composed of the following:

June 30, 2008	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
MBC Revenue Account \$	79,258	\$ 3,928	\$ 83,186
MBC Reserve Account	<u>214,134</u>	<u>48,296</u>	<u>262,430</u>
Total \$	<u>\$ 293,392</u>	<u>\$ 52,224</u>	<u>\$ 345,616</u>
June 30, 2007	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
MBC Revenue Account \$	127,472	\$ 71,344	\$ 198,816
MBC Reserve Account	<u>221,824</u>	<u>26,253</u>	<u>248,077</u>
Total \$	<u>\$ 349,296</u>	<u>\$ 97,597</u>	<u>\$ 446,893</u>

**10. RISK MANAGEMENT**

All losses are covered by commercial insurance except for employee injuries which are covered by the Brickstreet Insurance Company. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**11. BOND ISSUANCE COSTS**

Bond issuance costs are being amortized over the life of the loan. Amortization expense for the period was \$5,147.

**12. CONSTRUCTION PROJECT**

As of June 30, 2008 and June 30, 2007, the District was working on two water line extension projects. Both water projects were completed by June 30, 2008. The following amount remained in the contracts as of June 30, 2008 and June 30, 2007:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	<u>Outstanding Balance</u>	<u>Outstanding Balance</u>
Water Expansion \$	<u>-</u>	<u>\$ 728,839</u>

**13. ACCRUED CONDEMNATION SETTLEMENTS -- SEWER FUND**

As of June 30, 2008 and June 30, 2007, the District was involved in several property condemnation proceedings with regard to the sewer collector system. Based upon local real estate appraisal, management estimates that the total settlement costs relating to these property condemnation proceedings will be approximately \$18,051.

**14. SIGNIFICANT CUSTOMERS**

At June 30, 2008 and June 30, 2007, Flatwoods -- Canoe Run Public Service District had sales to one customer that exceeded 10% of its gross sales for the years then ended. The following is a list of sales to this customer:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Sales</u>	<u>% of Sales</u>	<u>Sales</u>	<u>% of Sales</u>
Customer A \$	224,440	21%	\$ 219,844	21%

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND JUNE 30, 2007**

**15. TECHNICAL DEFAULT**

Flatwoods - Canoe Run Public Service District is in technical default on their bonds because of the failure to have adequate debt service coverage as of June 30, 2008 and June 30, 2007. The bondholders have a right to call for payment of the bonds, thus making the bond liability a short-term obligation. However, the bondholders have given no indication of exercising their right, and the liability is classified as long-term less the current portion on the statement of net assets.

**16. PRIOR PERIOD ADJUSTMENT- JUNE 30, 2007**

	Water	Sewer
Beginning Net Assets	\$ 2,550,446	\$ 6,366,544
Adjustments		
Accrued Interest	(32,009)	(20,735)
Construction Work in Progress	1,500,000	-
Sewer Anticipation Note	-	5,363
Municipal Bond Commission	-	(24,471)
Beginning Net Assets Restated	\$ <u>4,018,437</u>	\$ <u>6,326,701</u>

This resulted in an increase of \$1,473,354 in prior year change in net assets.

**17. INTERFUND BALANCES**

Interfund balances were used for construction activities.

**18. OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits, resolutions of the District and State statutes, have provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries through the WV Public Employee Insurance Agency. The District funds all District contributions on a pay-as-you-go basis. Such benefits are primarily funded through payments from the District's Operating Fund. Post-retirement benefits consist of health care benefits and life insurance for covered employees.

*Funding Policy.* The District's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the District contributed \$31,716 to the plan. Employees are not required to make contributions for basic life insurance.

*Annual OPEB Cost.* The District's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008 AND JUNE 30, 2007**

**18. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the District's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation for twelve covered employees and no retired employees.

Annual required contribution	\$ 67,315
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	67,315
Contributions made	<u>(49,322)</u>
Increase (decrease) in net OPEB obligation	17,993
Net OPEB obligation (asset) beginning of year	-
Net OPEB obligation (asset) end of year	<u>\$ 17,993</u>
Actuarial valuation date	6/30/07
Actuarial cost method	Entry Age
Amortization method	Level Dollar
Asset valuation method	Smoothed Market Approach
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases -1	4.6%-5.6%
Health care inflation rate	9.3% in 2008, grading to 6% in 2027

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
 NOTES OF FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2008 AND JUNE 30, 2007

18. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Three-Year Trend Information

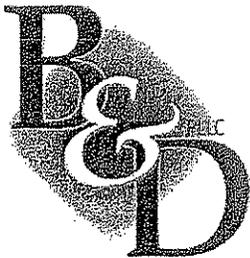
<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2008	\$ 67,315	73%	\$ 17,993
June 30, 2007	N/A	N/A	N/A
June 30, 2006	N/A	N/A	N/A

N/A – Not Applicable, 2008 is implementation year for GASB Statement No. 45.

GASB Statement No. 45 was applied prospectively.

PEIA issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Insurance Association, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



## Bennett & Dobbins PLLC

CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue  
Fairmont, WV 26554-1604  
Telephone: (304) 366-4295 Fax: (304) 366-4311

GARY K. BENNETT, MBA-CPA  
ZACHARY D. DOBBINS, CPA

January 5, 2009

Board of Directors  
Flatwoods - Canoe Run Public Service District  
Sutton, West Virginia

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Flatwoods - Canoe Run Public Service District as of and for the year ended June 30, 2008 and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Flatwoods - Canoe Run Public Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flatwoods - Canoe Run Public Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Flatwoods - Canoe Run Public Service District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as items 08-1 and 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flatwoods - Canoe Run Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, 08-10 and 08-11.

Flatwoods - Canoe Run Public Service District responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Flatwoods - Canoe Run Public Service District responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors of Flatwoods - Canoe Run Public Service District, the Public Service Commission of West Virginia, WV State Auditors Office, WV Water Development Authority and Rural Development and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with West Virginia Code 6-9-9a, this report is a matter of public record and its distribution is not limited.

*Bennett & Dobbins PLLC*  
Bennett & Dobbins PLLC

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2008**

08-1

**SEGREGATION OF DUTIES**

CONDITION:

Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals. This is a repeat finding from prior years.

CRITERIA:

An internal control system that has appropriate segregation of duties. The Organization has implemented limited controls with the available staff.

CAUSE:

The Organization has limited staff to segregate duties properly.

EFFECT:

Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

RECOMMENDATION:

Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, we recognize that complete segregation of duties is not economically feasible for the Organization.

RESPONSE OF OFFICIALS:

The Board will segregate duties as much as possible with the limited staff available.

08-2

**MUNICIPAL BOND COMMISSION RECONCILIATIONS**

CONDITION:

It was determined during this examination that the Organization failed to reconcile Municipal Bond Commission statements to the general ledger.

CRITERIA:

Adequate internal control dictates that Municipal Bond Commission reconciliations be prepared and reconciled to the general ledger for all accounts.

CAUSE:

The Organization does not reconcile general ledger investments with the Municipal Bond Commission statement.

EFFECT:

There was a material misstatement in the general ledger.

RECOMMENDATION:

Municipal Bond Commission statements should be reconciled on a quarterly basis and the amount agreed to the general ledger balance for investments.

RESPONSE OF OFFICIALS:

The Organization will correct this finding.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

**08-3**

**PLEDGING OF COLLATERAL FOR CASH ACCOUNT**

CONDITION:

It was noted during the audit the District has cash accounts in excess of F.D.I.C. coverage without adequate pledged assets that is in violation of WV Code Section 12-1-5. This is a repeat finding from prior years.

CRITERIA:

The bank would pledge a surety bond to cover the excess amounts.

CAUSE:

The bank failed to issue an adequate bond for pledging.

EFFECT:

The cash balances at June 30, 2008 were not adequately protected.

RECOMMENDATION:

The District should assure itself that at least quarterly all of its cash assets in excess of F.D.I.C. coverage are collaterally pledged at the financial institutions.

RESPONSE OF OFFICIALS:

The District will get the necessary coverage.

**08-4**

**FAILURE TO ADOPT A BUDGET**

CONDITION:

The District did not adopt a budget by May 15, 2008 for the next fiscal year as required by the bond covenants. This is a repeat finding from prior years.

CRITERIA:

A budget must be adopted 30 days prior to year end.

CAUSE:

Review of Board minutes revealed the District failed to adopt the budget for the fiscal year as required by the bond covenants until June, 2008.

EFFECT:

The District has no spending plan for the fiscal year as required by state law in a timely manner.

RECOMMENDATION:

The Board of Directors are directed to adopt a tentative budget for the ensuing fiscal year forty five days prior to the beginning of the each fiscal year as required by the bond covenants.

RESPONSE OF OFFICIALS:

The manager is currently working toward adopting a budget on a timely basis.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-5

**DEBT SERVICE COVERAGE**

CONDITION:

The bond covenant requires 115% debt service coverage for water and sewer. The District's current coverage is 88% for sewer and 71% for water. This is a repeat finding from prior years.

CRITERIA:

Adequate rates will be maintained to achieve the required coverage.

CAUSE:

Insufficient rates.

EFFECT:

Violation of bond covenant that results in technical default on the bond.

RECOMMENDATION:

The District should seek a rate increase to cure this technical default.

RESPONSE OF OFFICIALS:

The District is applying for a rate increase in the sewer fund and just implemented a water rate increase.

08-6

**NON-FILING OF MONTHLY FINANCIAL REPORT**

CONDITION:

During compliance testing it was noted the monthly financial reports were not being filed as required. This is a repeat finding from prior years.

CRITERIA:

As a requirement of the WV Water Development Authority loan agreement the District is required to file monthly financial reports by the 10<sup>th</sup> day of each month, commencing on the date contracts are executed and two years following the completion of the project.

CAUSE:

Unknown

EFFECT:

This could result in the District not being able to obtain further funding from WV Water Development Authority.

RECOMMENDATION:

The District should immediately begin filing the monthly financial reports.

RESPONSE OF OFFICIALS:

The District will begin filing the required form on a monthly basis for the prescribed time frame in the loan agreement.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-7

**UNAUTHORIZED EXPENDITURES**

CONDITION:

The District paid cash to a retiree.

CRITERIA:

The District would pay employees in the form of a paycheck.

CAUSE:

Lack of knowledge of the IRS Rules.

EFFECT:

The District has made purchases in violation of law.

RECOMMENDATION:

Discontinue this practice in the future.

RESPONSE OF OFFICIALS:

The Board will discontinue this practice in the future.

08-8

**INSUFFICIENT RATES – WATER SYSTEM**

CONDITION:

It was noted during this audit that the rates the District charges for water service are not sufficient to provide adequate debt service coverage.

CRITERIA:

West Virginia Code 8-19-4 states in part that:

"... The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefore, and to provide for the repair, maintenance, and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the order authorizing the issuance of said bonds."

CAUSE:

The District did not establish water rates high enough to meet all general obligations of the water and sewer system.

EFFECT:

The violation caused the District to incur a net loss in the Water Fund for the current year and to be in violation of the state code.

RECOMMENDATION:

The District officials are directed to review this statute and comply with the provisions set forth therein.

RESPONSE OF OFFICIALS:

The District received a rate increase subsequent to year end.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-9

**INSUFFICIENT RATES – SEWER SYSTEM**

CONDITION: It was noted during this audit that the rates the District charges for sewer service are not sufficient to provide adequate debt service coverage.

CRITERIA: West Virginia Code 8-19-4 states in part that:  
"... The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefore, and to provide for the repair, maintenance, and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the order authorizing the issuance of said bonds."

CAUSE: The District did not establish sewer rates high enough to meet all general obligations of the water and sewer system.

EFFECT: The violation caused the District to incur a net loss in the Sewer Fund for the current year and to be in violation of the state code.

RECOMMENDATION: The District officials are directed to review this statute and comply with the provisions set forth therein.

RESPONSE OF OFFICIALS: The District received a rate increase in the sewer fund subsequent to the end of the year.

08-10

**RESERVE FUND- WATER & SEWER**

CONDITION: The bond covenants require payments to a reserve fund until it reaches the required amount by the bond covenant. As of June 30, 2008, there were insufficient funds and letters of credit for these accounts.

CRITERIA: These accounts would be funded in accordance with the bond covenants.

CAUSE: The District did not have adequate operating revenues.

EFFECT: The District did not have adequate operating revenues.

RECOMMENDATION: The District should fund this account.

RESPONSE OF OFFICIALS: Per discussion with the District this account is currently being funded.

**FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2008**

08-11

**UNAUTHORIZED EXPENDITURES**

CONDITION:

The District purchased flowers in violation of WV Code Section 11-8-26.

CRITERIA:

The District would pay for flowers personally.

CAUSE:

Lack of knowledge of State Code.

EFFECT:

The District has made purchases in violation of law.

RECOMMENDATION:

Discontinue this practice in the future.

RESPONSE OF OFFICIALS:

The Board will discontinue this practice in the future.

FLATWOODS - CANOE RUN PUBLIC SERVICE DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Title</u>	<u>Status</u>
07-1	Segregation of Duties	Uncorrected
07-2	Pledging of Collateral for Cash Account	Uncorrected
07-3	Failure to Adopt a Budget	Uncorrected
07-4	Debt Service Coverage	Uncorrected
07-5	Non-Filing of Monthly Financial Report	Uncorrected

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APPENDIX C

Form of Opinion of Bond Counsel

August 21, 2009

Flatwoods-Canoe Run Public Service District (West Virginia)  
Water Revenue Bonds, Series 2009 A (Bank Qualified)

Flatwoods-Canoe Run Public Service District  
Sutton, West Virginia

West Virginia Water Development Authority  
Charleston, West Virginia

Crews & Associates, Inc.  
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Flatwoods-Canoe Run Public Service District (West Virginia) (the "Issuer") of its \$2,175,000 in aggregate principal amount Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds").

The Series 2009 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act") and a Bond Resolution duly adopted by the Issuer on August 10, 2009, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on August 10, 2009 (collectively, the "Resolution") and are subject to all the terms and conditions of the Resolution. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

The Series 2009 A Bonds are issued in fully registered form, are dated August 21, 2009, upon original issuance, mature on September 1 in years and amounts and bear interest payable each March 1 and September 1, commencing March 1, 2010, as follows:

Bond No.	Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP No.
R-1	2019	\$ 335,000	5.25%	33886A AA5
R-2	2024	\$ 290,000	5.50%	33886A AB3
R-3	2029	\$ 380,000	5.50%	33886A AC1
R-4	2039	\$1,170,000	6.00%	33886A AD9

The Series 2009 A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices set forth in the Resolution.

The Series 2009 A Bonds are issued for the purposes of (i) paying the costs of acquisition and construction of certain additions, betterments and improvements to the System; (ii) funding the Series 2009 A Bonds Reserve account; (iii) capitalizing a portion of the interest due on the Series 2009 A Bonds to September 1, 2012; and (iv) paying the costs of issuance of the Series 2009 A Bonds.

The Series 2009 A Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated August 17, 2009, and accepted by the Issuer (the "Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Purchaser and other entities contained in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants of the Issuer, the Purchaser and other entities pertaining to tax matters set forth in the Resolution, the Tax and Non-Arbitrage Certificate and the Continuing Disclosure Agreement and with certain certificates delivered in connection with the issuance of the Series 2009 A Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing public service district and public corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt the Resolution, enter into the Continuing Disclosure Agreement and the Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2009 A Bonds, all under the provisions of the Act and other applicable provisions of law.
2. The Issuer, through its governing body, has legally and effectively adopted the Resolution, has authorized, executed and delivered the Purchase Agreement and the Continuing Disclosure Agreement and has issued and delivered the Series 2009 A Bonds to the Purchaser pursuant to the Purchase Agreement. The Resolution is in full force and effect as of the date hereof.
3. Assuming due authorization, execution and delivery by the other parties thereto, the Purchase Agreement and the Continuing Disclosure Agreement constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms; and the Series 2009 A Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable and enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Resolution and the Act.

4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2009 A Bonds (including original issue discount properly allocable to owners of the Series 2009 A Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. In addition, interest on the Series 2009 A Bonds is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. Ownership of tax-exempt obligations, including the Series 2009 A Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Series 2009 A Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Series 2009 A Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Series 2009 A Bonds set forth in the Resolution, and the Tax and Non-Arbitrage Certificate. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Series 2009 A Bonds to be includable in gross income retroactive to the date of issuance of the Series 2009 A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2009 A Bonds except as expressly set forth in paragraph 5.

5. Under the Act, the Series 2009 A Bonds are exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Series 2009 A Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

6. The Series 2009 A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2009 A Bonds, to register any securities under said Securities Acts.

7. The Series 2009 A Bonds have been duly authorized, issued, executed and delivered by the Issuer and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's: (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; (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; (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; (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; (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 2007 A (West Virginia Infrastructure Fund), dated April 24, 2007, issued in the original aggregate principal amount of \$1,014,000, all in accordance with the terms of the Series 2009 A Bonds and the Resolution.

8. The Issuer has designated the Series 2009 A Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

It is to be understood that the rights of the holders of the Series 2009 A Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Series 2009 A Bonds, the Resolution, the Continuing Disclosure Agreement and the Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors’ rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond Nos. R-1 through R-4 of said issue, and in our opinion, said Series 2009 A Bonds are in proper form and have been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

## APPENDIX D

### Form of Continuing Disclosure Certificate

**\$2,175,000**

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT  
WATER REVENUE BONDS  
SERIES 2009 A (BANK QUALIFIED)**

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is delivered this 21<sup>st</sup> day of August, 2009, by the Flatwoods-Canoe Run Public Service District (the "District"), in connection with the issuance of its \$2,175,000 Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"). The Series 2009 A Bonds are being issued pursuant to a Bond Resolution approved by the District on August 10, 2009 (the "Resolution"). The District covenants and agrees as follows:

**SECTION 1. Purpose of Certificate.** This Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Series 2009 A Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")), provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2009 A Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the District's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any the Series 2009 A Bonds (including persons holding the Series 2009 A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the District and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Certificate.

“National Repository” shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

“Purchase Contract” shall mean the Bond Purchase Agreement dated August 1, 2009, between the Underwriter and the District, by which the Underwriter offered to purchase the Series 2009 A Bonds from the District upon the terms set forth therein.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2009 A Bonds” shall mean the \$2,175,000 Water Revenue Bonds, Series 2009 A (Bank Qualified).

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

“Underwriter” shall mean Crews & Associates, Inc., the original underwriter of the Series 2009 A Bonds, who is required to comply with the Rule in connection with offering of the Series 2009 A Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the District’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2009, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if

other than the District). If the District is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the District shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date it was provided and listing the Repositories to which it was provided.

(d) Effective on July 1, 2009 and thereafter, all documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic format and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The District's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days after receipt by the District of the District's fiscal year ended June 30, 2009 fiscal year and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the District, and

(b) Within one hundred fifty (150) days of the District's fiscal year ended June 30, 2009, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the District for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "THE SYSTEM - Historical and Proforma Revenues, Expenses and Coverages."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2009 A Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Resolution;
11. rating changes.

(b) Whenever the District obtains knowledge of the occurrence of any of the Listed Events, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected the Series 2009 A Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The District's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 A Bonds. If such termination occurs prior to the final maturity of the Series 2009 A Bonds, the District shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the District may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2009 A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2009 A Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders of the Series 2009 A Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2009 A Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the District shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the District chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2009 A Bonds may take such actions as may be necessary and appropriate, including

seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Certificate in the event of any failure of the District to comply with this Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Certificate shall inure solely to the benefit of the District, the Underwriter and holders and beneficial owners from time to time of the Series 2009 A Bonds, and shall create no rights in any other person or entity.

Date: August 21, 2009

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Flatwoods-Canoe Run Public Service District  
Name of Issue: \$2,175,000 Flatwoods-Canoe Run Public Service District  
Water Revenue Bonds, Series 2009 A (Bank Qualified)  
Date of Issuance: August 21, 2009

Notice is hereby given that the District has not provided an Annual Report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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

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\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

Water Revenue Bonds, Series 2009 A  
(Bank Qualified)

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly elected or appointed and acting Chairman of the Flatwoods-Canoe Run Public Service District (the "District"), authorized to execute and deliver this Certificate and further certifies this 21st day of August, 2009 on behalf of the District to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the District's Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared an Official Statement, dated August 17, 2009, setting forth information concerning the Bonds and the issuer of the Bonds (the "Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the Underwriter and other terms of the Bonds and any underlying obligations depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The Official Statement is, except for the Permitted Omissions, final as of its date, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final bond purchase agreement, any event occurs as a result of which the Official Statement might include an 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, the District shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the day and year first written above.

By   
Chairman

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292120.0004

CH4966665.1

**\$2,175,000**  
**Flatwoods-Canoe Run Public Service District**  
**Water Revenue Bonds**  
**Series 2009 A (Bank Qualified)**

**BOND PURCHASE AGREEMENT**

August 17, 2009

Flatwoods-Canoe Run Public Service District  
P.O. Box 677  
Sutton, WV 26601

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter") hereby offers to enter into this Bond Purchase Agreement with the Flatwoods-Canoe Run Public Service District (the "Issuer") for the sale by the Issuer and the purchase by the Underwriter of the Issuer's Water Revenue Bonds, Series 2009 A (Bank Qualified) in the aggregate principal amount of \$2,175,000 (the "Bonds") described herein and in the Official Statement (defined herein), which are being issued by the Issuer. Upon your acceptance of this offer and your execution and delivery of this Bond Purchase Agreement (hereinafter referred to as the "Bond Purchase Agreement"), this Bond Purchase Agreement will be binding upon you and the Underwriter. This offer is made subject to your acceptance, evidenced by your execution and delivery of this Bond Purchase Agreement to the Underwriter, at or prior to 11:30 p.m., New York, New York time, on the date hereof, and will expire if not so accepted at or prior to such time (or such later time as the Underwriter may agree to in writing).

1. Definitions. The capitalized terms used in this Bond Purchase Agreement shall have the meanings assigned to them herein or, if not defined herein, shall have the meanings set forth in the Bond Resolution approved by the Issuer on August 10, 2009 (the "Resolution"). This Bond Purchase Agreement, the Official Statement, the Preliminary Official Statement, the Tax Regulatory Agreement and the Continuing Disclosure Certificate are sometimes herein referred to as the "Bond Documents."

2. Closing. Delivery and acceptance of the Bonds and payment therefor (the "Closing") will take place in Charleston, West Virginia, at the offices of Steptoe & Johnson, PLLC, Chase Bank Center, 7<sup>th</sup> Floor, on August 21, 2009 (the "Closing Date") by 1:00 p.m. or at such other place or time as may be mutually agreed upon by you and the Underwriter. The Bonds will be available in definitive form at the offices of The Depository Trust Company (or the Registrar, if "DTC-Fast" delivery is used) not less than twenty-four hours prior to the Closing Date.

3. Purchase and Sale.

3.1 Subject to the terms and conditions set forth in this Bond Purchase Agreement, and upon the basis of the representations hereinafter set forth, the Underwriter hereby agrees to purchase

from the Issuer, and the Issuer hereby agrees to sell to the Underwriter when, as and if issued, all (but not less than all) of the Bonds identified in Exhibit A attached hereto for a total purchase price equal to the Net Purchase Price set forth in Exhibit A, in immediately available funds.

3.2 The Bonds will (i) be issued pursuant to the Resolution and (ii) have the payment related terms (that is, dated dates, principal or issuance amounts, maturity dates, interest rates and yield to maturity) set forth in Exhibit A attached hereto, and will otherwise correspond to the description thereof contained in the Official Statement referred to in Section 3.3.

3.3 Within seven business days of its acceptance hereof, the Issuer shall deliver to the Underwriter a reasonable number of copies of a final Official Statement of the Issuer of even date herewith, executed by the Issuer (the "Official Statement"). The Official Statement shall be in substantially the same form as that of the Preliminary Official Statement of the Issuer dated August 13, 2009 (the "Preliminary Official Statement"), previously distributed with respect to the Bonds.

#### 4. Concurrent Matters.

4.1 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute your acknowledgment that the Underwriter (a) proposes to make a public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement (which such initial offering prices or yields may be changed by the Underwriter, in its sole discretion), (b) may effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and may discontinue such stabilizing, if commenced, at any time and (c) may change the offering prices of the Bonds from time to time and may offer the Bonds to certain dealers and others at prices lower than the public offering prices shown on the front cover (or inside front cover) of the Official Statement.

4.2 Your acceptance, execution and delivery of this Bond Purchase Agreement will constitute (i) your consent and authorization to the use by the Underwriter, in connection with the public offering and sale of the Bonds, of copies of the Official Statement and the information, contained therein, and (ii) your ratification of the use by the Underwriter, in connection with such offering and sale, of the Preliminary Official Statement and the information contained therein.

#### 5. Representations and Warranties.

5.1 The Issuer hereby makes the following representations and warranties to the Underwriter:

(a) The Issuer is a body corporate and political subdivision of the State of West Virginia, created, by the County Commission of Braxton County, West Virginia, and authorized to issue the Bonds pursuant to Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act").

(b) On August 10, 2009, the Issuer adopted the Resolution, and since that time the Resolution has not been rescinded, amended or modified.

(c) When delivered to the Underwriter against payment therefor in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered.

(d) The execution and delivery by the Issuer of the Bond Documents and the consummation by the Issuer of the transactions contemplated thereby are not prohibited by, do not violate any provision of, and will not result in the breach of or default under the Act, or, to its knowledge, any applicable law, rule, regulation, judgment, decree, order or other requirement, or any material contract, indenture, agreement or commitment to which the Issuer is a party or by which it is bound.

(e) The Issuer is not in breach of or in default under any existing law, court or administrative regulation, judgment, decree, order, agreement, mortgage, lease, loan agreement or other instrument to which it is a party or by which it is bound. No event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under the Bond Documents or any other agreement or instrument to which the Issuer is a party, or by which it may be bound or to which any of its property is or may be subject.

(f) The Issuer has duly authorized all necessary action to be taken by it for (i) the issuance and sale of the Bonds by the Issuer upon the terms and conditions set forth herein, in the Official Statement and in the Resolution and the approval of the Official Statement, the Resolution and the Bonds, and (ii) the execution, delivery and receipt of the Bond Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, effectuate and consummate the transactions contemplated in the Bond Documents.

(g) The information contained in the Preliminary Official Statement and the Official Statement relating to the Issuer and its properties, operations and financial and other affairs, including Appendices A and B, and the project to be financed with proceeds of the Bonds, is true and correct in all respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) Except as may be described in the Preliminary Official Statement and the Official Statement, there is no legal action, or other proceeding, or any investigation or inquiry (before or by any court, agency, arbitrator or other entity or person) pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer or any of its officials, in their respective capacities as such, which would restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution or in any way would contest or affect the organization or existence of the Issuer or the entitlement of any officers of the Issuer to their respective offices or which may reasonably be expected to have a material and adverse effect upon (A) the due performance by the Issuer of the transactions contemplated by the Bond Documents, (B) the validity or enforceability of the Bonds, the Resolution, the Bond Documents, or any other agreement or instrument to which the Issuer is a party and that is used or contemplated for use in consummation of the transactions contemplated hereby and thereby or (C) the exclusion of the interest on the

Bonds from gross income for federal income tax purposes and the exemption from State income taxation of the Bonds and interest thereon as set forth in the Official Statement. The Issuer is not subject to any judgment, decree or order entered in any lawsuit or proceeding brought against it that may reasonably be expected to have such an effect.

(i) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is an issuer whose arbitrage certifications may not be relied upon.

(j) The Bond Documents, when executed and delivered by, the Issuer, will be, and this Bond Purchase Agreement constitutes, the legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and as to the availability of equitable remedies.

(k) When the Bonds are issued, sold and delivered to the Underwriter, the representations and certifications of the Issuer herein and in the other Bond Documents will be true, accurate and complete.

(l) The audited financial statements and other financial information for the year ended June 30, 2008, contained in the Preliminary Official Statement and the Official Statement as Appendix B, present fairly the financial position of the Issuer at the date indicated and the results of operations for the period specified, and such financial statement; have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto.

(m) Since June 30, 2008, there has been no material adverse change in the financial position or results of operations of the Issuer, nor has the Issuer incurred any material liabilities except as set forth in the Preliminary Official Statement and the Official Statement or disclosed to the Underwriter in writing.

(n) The Issuer deems the Preliminary Official Statement to be final as of its date in accordance with subsection (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Issuer deems the Official Statement to be final and complete as of its date for purposes of subsection (b)(3) of such Rule.

(o) Except as described in the Official Statement and Preliminary Official Statement, the Issuer is in compliance with all continuing disclosure agreements or certificates heretofore delivered by the Issuer in connection with the issuance of any Prior Bonds.

## 6. Covenants.

6.1 The Issuer hereby makes the following covenants with the Underwriter:

(a) The Issuer will not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter.

(b) Prior to the Closing Date, the Issuer will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of, the Resolution or the Bond Documents without the prior written consent of the Underwriter.

(c) Prior to the Closing Date, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interest which will be pledged pursuant to the Resolution or the Bond Documents.

(d) The Issuer will promptly advise the Underwriter of any matter arising or occurring or discovered before Closing or within 90 days after the end of the underwriting period for the Bonds (within the meaning of Rule 15c2-12 under the Exchange Act) that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or might adversely affect the correctness or completeness of any statement of a material fact contained in the Official Statement.

(e) If as the result of any matters described in paragraph (d) of this Section it becomes necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement to make the statements contained therein, in light of the circumstances under which they were made, not misleading, the Issuer will, upon notice thereof, promptly prepare and furnish to the Underwriter (at the expense of the Issuer) a reasonable number of copies of an amendment of, or a supplement to, the Official Statement (in form and substance satisfactory to the Underwriter) so that, as amended or supplemented, it will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) Except as disclosed in the Official Statement, prior to the Closing Date, the Issuer will obtain or cause to be obtained all governmental consents, approvals, orders or authorizations (other than state securities law clearances) of any governmental authority or agency that would constitute a condition precedent to the performance by Issuer of its obligations under the Resolution, the Bond Documents or the Bonds.

(g) The Issuer will not voluntarily undertake any course of action inconsistent with the satisfaction of the requirements applicable to it as set forth in the Bond Documents.

(h) The Issuer will cooperate with the Underwriter in the qualification of the Bonds for offering and sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriter might designate, the cost of which will be borne by the Underwriter, as provided in Section 10.2(iii) below.

(i) The Issuer will not, except as required by law, take or omit to take any action which, under existing law, adversely affects the exemption from federal income taxation of the interest on the Bonds, or adversely affects the West Virginia State tax exemptions with respect to the Bonds and the interest thereon, as set forth in the Official Statement.

(j) The Issuer agrees to comply with all provisions of the Continuing Disclosure Certificate.

## 7. Conditions of Closing.

7.1 The obligations of the Underwriter to consummate the transactions contemplated hereby are subject to receipt by the Underwriter of the items described in Section 7.2 hereof and to the satisfaction (unless waived by the Underwriter in its sole discretion) of the following conditions:

(a) The representations and warranties made by the Issuer in this Bond Purchase Agreement shall be true and correct as of the Closing Date as if made on such date.

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with prior to closing.

(c) The Bond Documents each shall have been executed and delivered by each of the parties thereto, shall be in full force and effect on and as of the Closing Date and shall not have been amended, modified or supplemented prior to the Closing Date except as may have been agreed to in writing by the Underwriter.

(d) The proceeds of the sale of the Bonds shall be applied as described in the Official Statement.

7.2 In addition to the conditions set forth in Section 7.1, the obligations of the Underwriter to consummate the transactions on the Closing Date contemplated hereby are subject to receipt by the Underwriter of the following items:

(a) An approving opinion of Steptoe & Johnson, PLLC, Bond Counsel, in form and substance satisfactory to the Underwriter, dated the Closing Date with respect to the validity and tax-exempt nature of the Bonds, and a supplementary opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter, to the effect that: (i) this Bond Purchase Agreement has been duly authorized, executed and delivered by the Issuer, (ii) the Official Statement has been duly approved, signed and delivered by the Issuer, (iii) assuming due authorization, execution and delivery by the other parties thereto, the Bond Documents have been duly authorized, executed, acknowledged and delivered by the Issuer, and are legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws and equitable principles affecting the right of creditors), (iv) the statements contained in the Official Statement under the captions "Introduction," "The Series 2009 A Bonds," "Security for the Series 2009 A Bonds," "Summary of Certain Provisions of the Resolution," "Tax Matters," and "Appendix C - Form of Opinion of Bond Counsel" do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect, and (v) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

(b) An opinion of J. Wyatt Hanna, III, Counsel to the Issuer, addressed to, among others, Bond Counsel and the Underwriter, in form and substance satisfactory to Bond Counsel and the Underwriter, dated the Closing Date, to the effect that: (i) no litigation is pending or, to his knowledge, threatened (a) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution, (b) in any way contesting the power or the authority of the Issuer for the issuance of the Bonds or the validity of the Bonds, or the Bond Documents, (c) in any way contesting the existence or powers of the Issuer relating to the issuance of the Bonds, (ii) to the best of his knowledge, no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect, (iii) the Issuer is a body corporate and politic (constituting a governmental agency of the State and existing under the provisions of the Act, pursuant to which the Issuer has full legal right, power and authority to enter into the Bond Documents and each constitutes the legal, valid and binding agreement of the Issuer enforceable in accordance with its respective terms (subject to bankruptcy, insolvency and other laws affecting the rights of creditors generally and to general principles of equity), and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or any court order or decree or any agreement, contract or other instrument, to which the Issuer is party or otherwise subject or bound, (v) the Official Statement has been duly approved, executed and delivered by the Issuer, and (vi) the statements contained in the Official Statement under the captions "Financing Plan," "Absence of Material Litigation," "Management's Discussion," and "Continuing Disclosure" (as such information pertains to the Issuer) (do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

(c) An opinion of Goodwin & Goodwin, LLP, Counsel to the Underwriter, in form and substance satisfactory to the Underwriter.

(d) A certificate of the Issuer, dated the Closing Date, signed by an officer of the Issuer to the effect that (i) the representations and warranties made by the Issuer in this Bond Purchase Agreement are true and correct as of the Closing Date with the same effect as if made on the Closing Date; (ii) the Issuer has performed and complied with all agreements and conditions required by this Bond Purchase Agreement to be performed or complied with by it at or prior to the Closing Date; (iii) since the respective dates as of which information is given in the Official Statement, and except as set forth therein, there has not been any material or adverse change in the Issuer's condition, financial or otherwise; (iv) the Official Statement, insofar as it relates to the Issuer, does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) that subsequent to June 30, 2008, the date of the Issuer's most recent audited financial statements included as Appendix B of the Official Statement, there has been no material adverse change in the financial position or results of operations of the Issuer, (vi) that no litigation is pending or, to the knowledge of the Issuer, threatened against the Issuer or its officers (A) to restrain or enjoin issuance or delivery of any of the Bonds or the collection of Revenues pledged under the Resolution, (B) in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds, or the Bond

Documents, (C) in any way contesting or affecting the existence or powers of the Issuer or its ability to perform its obligations under the Bond Documents, or (D) that may materially adversely affect the financial condition or operations of the Issuer, (vii) that the Issuer has satisfied all conditions pertaining to the issuance of the Bonds pursuant to the Resolution and all other applicable provisions, and (viii) that no event affecting the Issuer or the transactions contemplated by the Official Statement or the Bond Documents has occurred since the date of the Official Statement which should be disclosed in the Official Statement 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 therein, in the light of the circumstances under which they were made, not misleading.

(e) A Certificate dated as of the Closing Date signed by an authorized officer of the Issuer, sufficient in form and substance to show to the satisfaction of Bond Counsel and the Underwriter that the Bonds will not be arbitrage bonds under Section 148 of the Code and the regulations thereunder, which certificate shall conform to the requirements of said regulations.

(f) A certified copy of the Resolution authorizing the execution and delivery by the Issuer of the Bond Documents, certified by its Secretary.

(g) One executed original of each of the Bond Documents.

(h) The executed IRS Form 8038-G to be filed with the Internal Revenue Service.

(i) Such additional legal opinions, certificates and other documents as the Underwriter or Bond Counsel reasonably may deem necessary to evidence the truth and accuracy as of the Closing Date of the representations and warranties of the Issuer herein contained and of the Official Statement, and to evidence compliance by the Issuer with this Bond Purchase Agreement and all applicable legal requirements, and the due performance and satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by either of them.

7.3 If any of the conditions set forth in Section 7.1 or 7.2 has not been met on the Closing Date, the Underwriter may, in its sole discretion, terminate this Bond Purchase Agreement or proceed to Closing upon waiving any rights under this Bond Purchase Agreement with respect to any such condition. If this Bond Purchase Agreement is terminated pursuant to this Section, neither party will have any rights or obligations to the other, except as provided in Sections 10 and 11 herein.

8. Actions and Events at the Closing. The following events will take place at closing:

(a) The Issuer will direct the Registrar to authenticate and deliver the Bonds to the Underwriter, at the place established pursuant to Section 2 herein. Each of the Bonds so delivered will be in definitive form or, with the consent of the Underwriter, in temporary form, duly executed on behalf of the Issuer, in denominations or maturity amounts of five thousand dollars (\$5,000) or any integral multiple thereof, and will be fully registered in such names and amounts as the Underwriter will request at least four (4) business days prior to the Closing Date. In the event the

Bonds are delivered in temporary form, the Issuer shall deliver the Bonds in definitive form on such date as the Underwriter may reasonably require.

(b) The Issuer will deliver or cause to be delivered at Closing to the Underwriter the documents described in Section 7.2 hereof.

(c) The Underwriter will deliver to the Depository Bank, for the account of the Issuer, immediately available funds in an amount equal to the purchase price of the Bonds set forth as the Net Purchase Price in Exhibit A hereto.

9. Termination of Bond Purchase Agreement. The Underwriter may terminate this Bond Purchase Agreement without liability therefor (except as provided under Section 10) by noticing the Issuer at any time at or prior to the Closing if:

(a) Any legislation is introduced in, or enacted by, the United States Congress, or shall have been reported out of committee, or any decision is rendered by any court of competent jurisdiction or any ruling or regulation, temporary regulation, release or announcement shall have been issued or proposed by the Treasury Department of the United States, the Internal Revenue Service, or any other agency of the government of the United States that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting interest on the Bonds to inclusion in gross income for federal income tax purposes or has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(b) Any legislation, ordinance, rule or regulation is introduced in, or enacted by, any governmental body, department or agency of the State of West Virginia, or shall have been reported out of committee, or a decision by any court of competent jurisdiction within the State of West Virginia is rendered, that, in the reasonable opinion of the Underwriter, has the purpose or effect of subjecting the Bonds or the interest thereon to West Virginia State income taxation or otherwise has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(c) Any other action or event shall exist or have transpired which has the purpose or effect, directly or indirectly, of materially adversely affecting the federal or West Virginia income tax consequences of the transactions contemplated by the Official Statement, and in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale at the contemplated offering prices by the Underwriter of the Bonds;

(d) Any fact exists or any event occurs that, in the reasonable opinion of the Underwriter, makes untrue or incorrect in any material respect any statement or information in the Official Statement or causes the Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading for the purposes for which the Official Statement is to be used;

(e) Any amendment of or supplement to the Official Statement is distributed (whether or not such amendment or supplement was approved by the Underwriter prior to its distribution)

which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(f) There shall have occurred any outbreak, continuation or resumption of hostilities, whether declared or undeclared, or other national or international calamity or crisis, which, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices;

(g) Any legislation is introduced in, or enacted by the United States Congress, or any action is taken by, or on behalf of, the Securities and Exchange Commission, that in the opinion of the Underwriter has the effect of requiring (i) the registration of a security under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended, in connection with the offering and sale of the Bonds or (ii) any governmental consents, approvals, orders or authorizations for the consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, or the other Bond Documents, which cannot, without undue expense, be obtained prior to the Closing Date;

(h) There shall have occurred a general suspension of trading on the New York Stock Exchange, or a general banking moratorium is declared by the United States or by the State of West Virginia authorities, that, in the reasonable opinion of the Underwriter, has a material and adverse effect upon the ability of the Underwriter to sell the Bonds at the contemplated offering prices; or

(i) Any fact exists or any event occurs that is not disclosed in the Preliminary Official Statement, which after disclosure in the Official Statement affects the ability of the Underwriter to sell the Bonds at the contemplated offering prices.

## 10. Expenses.

10.1 The Issuer will pay or cause to be paid from proceeds of the Bonds or otherwise (i) fees and expenses of bond counsel, counsel to the Issuer, and Underwriter's counsel; (ii) initial fees of the Registrar and Paying Agent; (iii) fee for obtaining "CUSIP Numbers" for the Bonds; (iv) costs of preparing, printing, mailing and delivering the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto; and (v) any other costs and expenses of the issue not set forth in Section 10.2 below.

10.2 The Underwriter will pay (i) sales commissions associated with marketing the Bonds; (ii) costs of qualification of the Bonds for sale under the securities or "Blue Sky" laws of various jurisdictions; (iii) initial fees relating to The Depository Trust Company; and (iv) costs and expenses incurred by the Underwriter in connection with the preparation, offering and distribution of the Bonds, including but not limited to advertising, local and long distance telephone, and travel expenses, as well as management fees in connection with such offering.

10.3 In the event that the Issuer or the Underwriter shall have temporarily paid obligations of the other as set forth in this Section, appropriate adjustments will promptly be made.

10.4 Nothing herein will limit the rights of the Issuer to take action against the Underwriter for default of its responsibilities hereunder or for its actions or inactions regarding the matters contemplated herein.

## 11. Indemnification.

11.1 To the extent permitted by the laws of the State, the Issuer agrees to indemnify and hold harmless the Underwriter, each director, officer, attorney, agent or employee of the Underwriter, and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended, or within the meaning as determined by the Office of the Comptroller of the Currency (each hereafter, an "Indemnified Party"), from and against all losses, claims, damages, liabilities, settlements and expenses, joint or several, to which each Indemnified Party may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages, liabilities, settlements and expenses, or actions in respect thereof (i) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact pertaining to the Issuer as set forth in the Official Statement, or any amendment or supplement thereto, or the Preliminary Official Statement, or arise out of or are based upon the omission or alleged omission to state therein a material fact pertaining to the Issuer required to be stated therein or necessary to make the statements therein not misleading, or (ii) arise out of or are based upon any claim that the issuance of the Bonds violated any requirements contained in pre-existing bond documents, and the Issuer will assume the defense of any action against any Indemnified Party based upon allegations of any such loss, claim, damage, liability or action, including the retaining of counsel approved by the Indemnified Party (which approval shall not be unreasonably withheld) and the payment of counsel fees and all other expenses relating to such defense, provided, however, that each Indemnified Party may retain separate counsel in any such action and may participate in the defense thereof (at its expenses, unless the retention of such counsel has been specifically authorized by the Issuer); and provided further, that the Issuer will not be liable to the Underwriter or any Indemnified Party related to it, in any such case to the extent that any such loss, claim, damage, liability and expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any such documents under the caption "Underwriting."

11.2 Promptly after receipt by an Indemnified Party under this Bond Purchase Agreement of notice of the commencement of any action, such Indemnified Party will, if a claim in respect thereof is to be made against the Issuer under this Bond Purchase Agreement, notify the Issuer of the commencement thereof, but failure to give such notice shall not relieve the Issuer of its indemnification obligations under this Bond Purchase Agreement unless and to the extent that such failure causes actual harm or prejudice to the Issuer. In case any such action is brought against any Indemnified Party, and it notifies the Issuer of the commencement thereof, the Issuer (i) will assume the defense thereof if and as required under this Bond Purchase Agreement, with counsel satisfactory to the Indemnified Party or (ii) if not required to assume the defense, will be entitled to participate in, and, to the extent that it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense thereof, with counsel satisfactory to such Indemnified Party. After notice from the Issuer to such Indemnified Party of its assumption of the defense, the Issuer will not be liable to such Indemnified Party in connection with the defense thereof other than for reasonable expenses incurred by the Indemnified Party and its counsel, reimbursement of out-of-pocket expenses and other reasonable costs of investigation or participation in the defense of the claim.

12. Miscellaneous.

12.1 All notices, demands and formal actions hereunder will be written and mailed, telegraphed or delivered to the following address or such other address as either of the parties shall specify:

IF TO THE ISSUER:

Flatwoods-Canoe Run Public Service District  
P.O. Box 677  
Sutton, WV 26601  
Attention: Chairman

IF TO THE UNDERWRITER:

Crews & Associates, Inc.  
300 Summers Street, Suite 930  
Charleston, WV 25301

12.2 This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties hereto and their successors and will not confer any rights upon any other person. The term "successor" will not include any purchaser of any of the Bonds from the Underwriter merely because of such purchase. All representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Bond Purchase Agreement including, but not limited to, the indemnity agreements contained in Section 11 and the continuing disclosure agreement contained in Section 6.1.

12.3 This Bond Purchase Agreement may not be assigned by any of the parties hereto.

12.4 If any provision of this Bond Purchase Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

12.5 The payment for, acceptance of, and delivery and execution of any receipt for the Bonds and any other instruments upon or in connection with the closing by the Underwriter will be valid and sufficient for all purposes and binding upon the Underwriter. No such action by the Underwriter will impose any obligation or liability upon the Underwriter, other than as may arise as expressly set forth in this Bond Purchase Agreement.

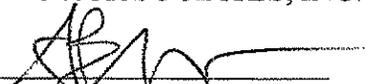
12.6 Whenever any action contemplated by this Bond Purchase Agreement requires the consent or approval of the Underwriter, it is acknowledged that the Underwriter may not unreasonably withhold such approval.

12.7 This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of West Virginia applicable to agreements to be performed wholly therein. The parties hereto intend to be legally bound hereby.

12.8 This Bond Purchase Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

12.9 No personal recourse shall be had for any claim based on this Bond Purchase Agreement or the Bonds against any member, officer, agent or employee, past, present or future, of the Issuer or any successor body or entity as such, either directly or through the Issuer or any such successor body or entity, under any constitutional provision, statute, or rule of law or by the enforcement of an assessment or penalty or otherwise.

CREWS & ASSOCIATES, INC.

By:   
Vice President

Accepted as of the date first above written:

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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

CREWS & ASSOCIATES, INC.

By: \_\_\_\_\_  
Vice President

Accepted as of the date first above written:

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: *Glenn R. Duke*  
Chairman

EXHIBIT A

\$2,175,000  
Flatwoods-Canoe Run Public Service District  
Water Revenue Bonds  
Series 2009 A (Bank Qualified)

Dated Date: August 21, 2009

Closing Date: August 21, 2009

Year (September 1)	<u>Maturity Amount</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2019	\$335,000	5.25%	100%	33886A AA5
2024	290,000	5.50%	100%	33886A AB3
2029	380,000	5.75%	97.047%	33886A AC1
2039	1,170,000	6.25%	96.627%	33886A AD9

## Redemption Provisions

The Bonds are subject to redemption prior to their stated maturities.

### Optional Redemption

The Series 2009 A Bonds are subject to redemption at the option of the Issuer, prior to maturity, on or after September 1, 2016, in whole or in part at any time from amounts deposited with the Bond Commission by the Issuer or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

### Net Purchase Price:

Par Amount	\$2,175,000.00
Less: Underwriter's Discount	(38,062.50)
Less: Original Issue Discount	<u>(50,685.50)</u>
Net Purchase Price	\$2,086,252.00

**\$2,200,000\***  
**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**  
**WATER IMPROVEMENT REVENUE BONDS**  
**SERIES 2009 (WATER PLANT UPGRADE PROJECT)**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (this "Certificate") is delivered this 21<sup>st</sup> day of August, 2009, by the Flatwoods-Canoe Run Public Service District (the "District"), in connection with the issuance of its \$2,200,000 Water Improvement Revenue Bonds, Series 2009 (Water Plant Upgrade Project) (the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to a Bond Resolution approved by the District on August 10, 2009 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of Certificate. This Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Series 2009 Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution and the Bond Purchase Agreement, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")), provided at least annually, of the type included in those sections of the final official statement with respect to the Series 2009 Bonds attached thereto as Appendix B, which Annual Financial Information shall include Audited Financial Statements if available on the due date set forth herein, and, if not then available, unaudited financial statements.

"Audited Financial Statements" means the District's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any the Series 2009 Bonds (including persons holding the Series 2009 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall initially mean the District and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Certificate.

“National Repository” shall mean the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

“Purchase Contract” shall mean the Bond Purchase Agreement dated August 1, 2009, between the Underwriters and the District, by which the Underwriter offered to purchase the Series 2009 Bonds from the District upon the terms set forth therein.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2009 Bonds” shall mean the \$2,200,000 Water Improvement Revenue Bonds, Series 2009 (Water Plant Upgrade Project).

“State” shall mean the State of West Virginia.

“State Repository” shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

“Underwriter” shall mean Crews & Associates, Inc., the original underwriter of the Series 2009 Bonds, who is required to comply with the Rule in connection with offering of the Series 2009 Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 150 days after the end of the District’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2009, provide to each Repository Annual Financial Information and Audited Financial Statements, which are consistent with the requirements of Section 4 of this Certificate. The Annual Financial Information and Audited Financial Statements may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Financial Information and Audited Financial Statements to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories its Annual Financial Information and Audited Financial Statements by the date required in subsection (a), the District shall send a notice to the Repositories, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Financial Information and Audited Financial Statements the name and address of each Repository; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Financial Information and Audited Financial Statements have been provided pursuant to this Certificate, stating the date it was provided and listing the Repositories to which it was provided.

(d) Effective on July 1, 2009 and thereafter, all documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic formant and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

SECTION 4. Content of Annual Financial Information and Audited Financial Statements. The District's Annual Financial Information and Audited Financial Statements shall contain or include by reference the following:

(a) Within ninety (90) days after receipt by the District of the District's fiscal year ended June 30, 2009 fiscal year and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, unaudited general purpose financial statements of the District, and

(b) Within one hundred fifty (150) days of the District's fiscal year ended June 30, 2009, and each subsequent fiscal year, for delivery to each Repository in the format required by the Rule, such information and data of the District for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) actual data of the type found in the Official Statement under the caption "THE SYSTEM - Historical and Proforma Revenues, Expenses and Coverages."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Series 2009 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications to rights of security holders;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities, except as provided by the Resolution;
11. rating changes.

(b) Whenever the District obtains knowledge of the occurrence of any of the Listed Events, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected the Series 2009 Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the District shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the District may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2009 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2009 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders of the Series 2009 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Series 2009 Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the District shall describe such amendment in the next Annual Financial Information and Audited Financial Statements, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Financial Information and Audited Financial Statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

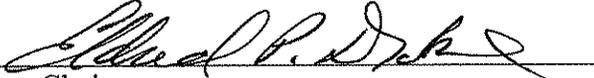
SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the District chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Certificate in the event of any failure of the District to comply with this Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Certificate shall inure solely to the benefit of the District, the Underwriter and holders and beneficial owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

Date: August 21, 2009

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By:   
Chairman

**Exhibit A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Flatwoods-Canoe Run Public Service District  
Name of Issue: \$2,200,000 Flatwoods-Canoe Run Public Service District  
Water Improvement Revenue Bonds  
Series 2009 (Water Plant Upgrade Project)  
Date of Issuance: August 21, 2009

Notice is hereby given that the District has not provided an Annual Report with respect to the above-named bonds as required by its covenant made in connection with the above-referenced bond issue. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**

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

# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

Flatwoods - Canoe Run Public Service District

(Name of Issuer and Co-Issuer(s), if applicable)

August 18, 2009

(Date)

Attention: Underwriting Department  
The Depository Trust Company  
55 Water Street, 18L  
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: (Note: Issuer shall represent one and cross out the other.)

~~Incorporated in~~ [formed under the laws of] West Virginia

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Very truly yours,

**Note:**

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted  
THE DEPOSITORY TRUST COMPANY

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



The Depository Trust &  
Clearing Corporation

Flatwoods - Canoe Run Public Service District

(Issuer)

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

Steven J. Sanders

(Authorized Officer's Signature)

Steven J. Sanders

(Print Name)

405 Main Street

(Street Address)

Sutton, WV USA 26801

(City)

(State)

(Country)

(Zip Code)

304-765-2300

(Phone Number)

stowaco@mountain.net FLRPGA1@verizon.net

(E-mail Address)

BLOR 03/25/08

# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## Additional Signature Page to BLANKET ISSUER LETTER OF REPRESENTATIONS For use with Co-Issuers

\_\_\_\_\_  
(Name of Issuer and Co-Issuer(s), if applicable)

In signing this Blanket Issuer Letter of Representations dated as of \_\_\_\_\_

Co-Issuer agrees to and shall be bound by all "Issuer" representations.

\_\_\_\_\_  
(Co-Issuer)

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

(Authorized Officer's Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City) (State) (Country) (Zip Code)

\_\_\_\_\_  
(Phone Number)

\_\_\_\_\_  
(E-mail Address)

BLOM 03/25/08

**SAMPLE OFFERING DOCUMENT LANGUAGE  
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities; [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

## SCHEDULE A

(To Blanket Issuer Letter of Representations)

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

BLO 03/26/08

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

Water Revenue Bonds, Series 2009 A (Bank Qualified)

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 21st day of August, 2009, by and between FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public service district, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., CHARLESTON, WEST VIRGINIA, a national banking association (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$2,175,000 aggregate principal amount of Water Revenue Bonds, Series 2009 A (Bank Qualified) in fully registered form (the "Series 2009 A Bonds"), pursuant to a Resolution adopted August 10, 2009 as supplemented by Supplemental Resolution adopted August 10, 2009 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this 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 Series 2009 A Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Agreement does appoint the Bank 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 Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Series 2009 A Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Series 2009 A Bonds for purposes of federal income taxation, 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 Bank 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 Bank'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 Bank 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 Agreement, the Issuer hereby agrees to pay to the Bank, the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this 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 Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this 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 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  
P.O. Box 677  
Sutton, West Virginia 26601-0677  
Attention: Chairman

REGISTRAR: United Bank, Inc.  
Charleston, West Virginia  
Attention: Corporate Trust Department

8. The Bank is hereby requested and authorized to authenticate and deliver the Series 2009 A Bonds in accordance with the Bond Legislation.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of Page Intentionally Blank]

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

FLATWOODS-CANOE RUN PUBLIC SERVICE  
DISTRICT

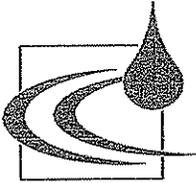
By:   
Its: Chairman

UNITED BANK, INC.

By:   
Its: Authorized Officer

08.14.08  
292120.00004

CH4966668.1



WEST VIRGINIA  
**Water Development Authority**  
Celebrating 34 Years of Service 1974 - 2008

\$2,175,000

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

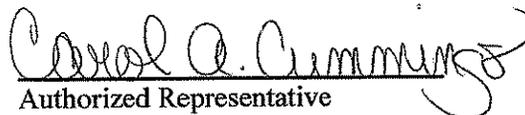
Water Revenue Bonds, Series 2009 A (Bank Qualified)

August 21, 2009

CONSENT

In reliance upon the certificate of Smith, Cochran & Hicks, independent certified public accountants, and an opinion of Steptoe & Johnson PLLC, stating that the coverage and parity tests have been met and that the respective reserve accounts for the Prior Bonds are funded in accordance with the Prior resolutions (copies attached) the undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), registered owner of the 1998 B Prior Bonds as hereinafter defined, hereby consents to the issuance of the Water Revenue Bonds, Series 2009 A (Bank Qualified) (the "Series 2009 A Bonds"), in the original aggregate principal amount of \$2,175,000, by Flatwoods-Canoe Run Public Service District (the "Issuer"), under the terms of the Resolution authorizing the Series 2009 A Bonds, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's (i) Water Revenue Bonds, Series 1998 B; (ii) Water Revenue Bonds, Series 2008 A and (iii) Water Revenue Bonds, Series 2007 A (collectively the "Prior Bonds"), as set forth in the Resolution.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

  
Authorized Representative

292120.00004

180 Association Drive, Charleston, WV 25311-1217  
phone (304) 558-3612 / fax (304) 558-0299  
[www.wvwda.org](http://www.wvwda.org)

CH4966737.1



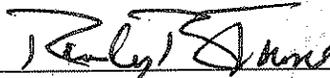
United States Department of Agriculture  
Rural Development  
West Virginia State Office

Flatwoods-Canoe Run Public Service District  
Water Revenue Bonds, Series 2009 A

TO WHOM IT MAY CONCERN:

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 Prior Bonds, hereinafter defined and described, hereby (a) consents to the issuance of the Water Revenue Bonds, Series 2009 A, in the original aggregate principal amount not to exceed \$3,000,000 (the "Series 2009 A Bonds"), by Flatwoods-Canoe Run Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), 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 (United States Department of Agriculture), dated June 12, 1996, issued in the original aggregate principal amount of \$240,000; and 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 (collectively, the "Prior Bonds"); and (b) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution; and (c) consents to any amendments made to the Prior Resolutions by the Resolution.

WITNESSETH my signature on this 25<sup>th</sup> day of November, 2008

  
\_\_\_\_\_  
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>

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"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).

FILE COPY

Form 8038-G

Information Return for Tax-Exempt Governmental Obligations

OMB No. 1545-0720

(Rev. November 2000)

Under Internal Revenue Code section 149(e)

See separate Instructions.

Department of the Treasury Internal Revenue Service

Caution: If the issue price is under \$100,000, use Form 8038-GC.

If Amended Return, check here

Part I Reporting Authority. 1 Issuer's name: Flatwoods-Canoe Run Public Service District. 2 Issuer's employer identification number: 55 0532503. 3 Number and street: P.O. Box 677. 4 Report number: 3 09-01. 5 City, town, or post office, state, and ZIP code: Sutton, WV 26601. 6 Date of issue: August 21, 2009. 7 Name of issue: Water Revenue Bonds, Series 2009 A. 8 CUSIP number: N/A 33886A. 9 Name and title of officer or legal representative whom the IRS may call for more information: Steve Sanders, General Manager. 10 Telephone number of officer or legal representative: (304) 765-2300.

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule. 11 Education. 12 Health and hospital. 13 Transportation. 14 Public safety. 15 Environment (including sewage bonds) [checked] 2,175,000.00. 16 Housing. 17 Utilities. 18 Other. Describe. 19 If obligations are TANs or RANs, check box. 20 If obligations are in the form of a lease or installment sale, check box.

Part III Description of Obligations. Complete for the entire issue for which this form is being filed. Table with columns: (a) Final maturity date, (b) Issue price, (c) Stated redemption price at maturity, (d) Weighted average maturity, (e) Yield. Row 21: 9/1/2039, \$2,175,000, \$2,175,000, 19.849 years, 6.0137668%.

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount). Table with columns: Line number, Description, Amount. Rows 22-30: Proceeds used for accrued interest (0), Issue price (2,175,000), Proceeds used for bond issuance costs (90,232.85), Proceeds used for credit enhancement (0), Proceeds allocated to reasonably required reserve or replacement fund (161,762.50), Proceeds used to currently refund prior issues (0), Proceeds used to advance refund prior issues (0), Total (251,995.35), Nonrefunding proceeds (1,923,004.65).

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.) 31 Enter the remaining weighted average maturity of the bonds to be currently refunded. 32 Enter the remaining weighted average maturity of the bonds to be advance refunded. 33 Enter the last date on which the refunded bonds will be called. 34 Enter the date(s) the refunded bonds were issued.

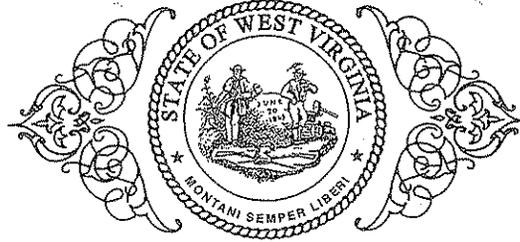
Part VI Miscellaneous. 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5). 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract. 36b Enter the final maturity date of the guaranteed investment contract. 37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units. b If this issue is a loan made from the proceeds of another tax-exempt issue, check box and enter the name of the issuer and the date of the issue. 38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box. 39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box. 40 If the issuer has identified a hedge, check box.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here. Signature of issuer's authorized representative: Eldred P. Drake. Date: 8-21-09. Type or print name and title: Eldred Drake, Chairman.



State of West Virginia



Certificate

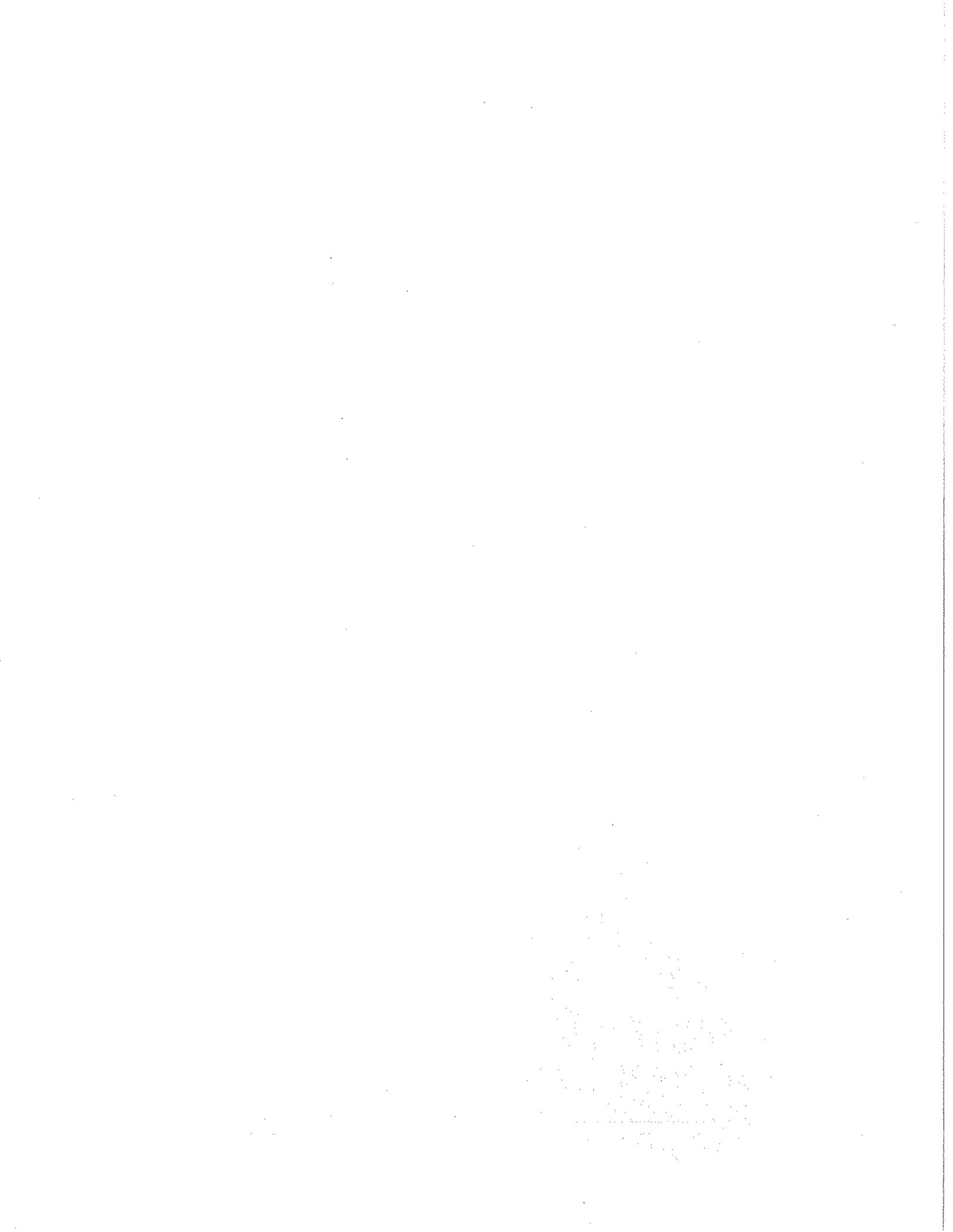
*I, Natalie E. Tennant, Secretary of State of the  
State of West Virginia, hereby certify that*

THIS IS A TRUE COPY OF CHAPTER 16, ARTICLE 13A OF THE WEST  
VIRGINIA CODE, AND CHAPTER 16 ARTICLE 13A OF THE 2008  
SUPPLEMENT TO THE WEST VIRGINIA CODE, AS INDICATED BY THE  
RECORDS OF THIS OFFICE.



*Given under my hand and the  
Great Seal of the State of  
West Virginia on  
August 25, 2009*

*Natalie E. Tennant*  
Secretary of State



## ARTICLE 13A

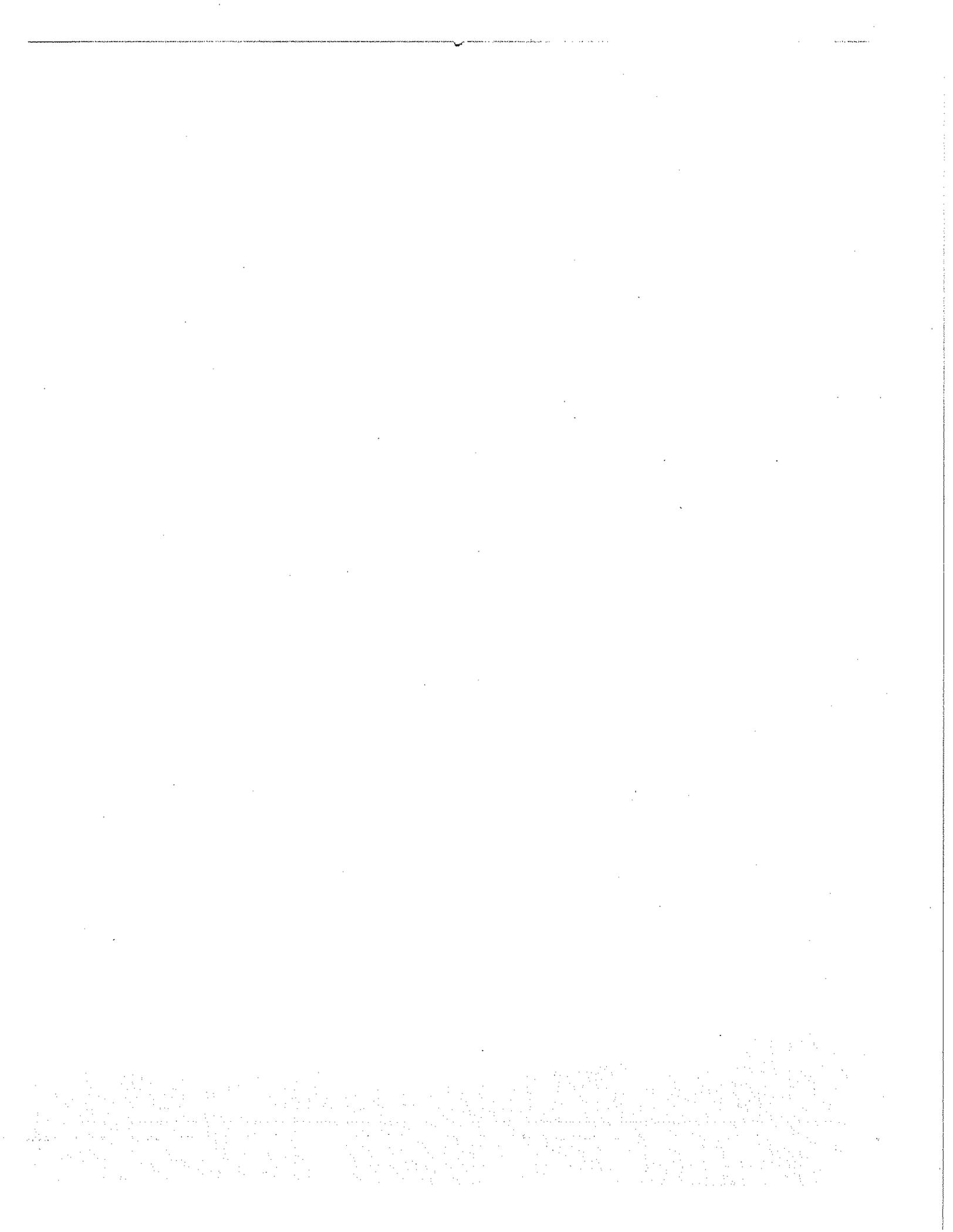
### PUBLIC SERVICE DISTRICTS

#### Section

- 16-13A-1. Legislative findings.
- 16-13A-1a. Jurisdiction of the public service commission.
- 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
- 16-13A-1c. General purpose of districts.
- 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State.
- 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.
- 16-13A-3a. Removal of members of public service board.
- 16-13A-4. Board chairman; members' compensation; procedure; district name.
- 16-13A-5. General manager of board.
- 16-13A-6. Employees of board.
- 16-13A-7. Acquisition and operation of district properties.
- 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
- 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
- 16-13A-9a. Limitations with respect to foreclosure.
- 16-13A-10. Budget.
- 16-13A-11. Accounts; audit.
- 16-13A-12. Disbursement of district funds.
- 16-13A-13. Revenue bonds.
- 16-13A-14. Items included in cost of properties.
- 16-13A-15. Bonds may be secured by trust indenture.
- 16-13A-16. Sinking fund for revenue bonds.
- 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
- 16-13A-18. Operating contracts.
- 16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds.
- 16-13A-19. Statutory mortgage lien created; foreclosure thereof.
- 16-13A-20. Refunding revenue bonds.
- 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
- 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
- 16-13A-23. Validation of acts and proceedings of public service boards.
- 16-13A-24. Acceptance of loans, grants or temporary advances.
- 16-13A-25. Borrowing and bond issuance; procedure.

#### § 16-13A-1. Legislative findings

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been



unable to obtain public utility services. To further this effort, and to insure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1986, c. 81.

#### Cross References

County courts, authority to make grants for water and sewer systems, see § 7-1-3t.

#### Administrative Code References

Sewer utilities regulations, see W. Va. Code St. R. § 150-5-1 et seq.

#### Library References

Counties ⇨18.  
Municipal Corporations ⇨5, 6.  
Public Utilities ⇨145.  
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.  
C.J.S. Public Utilities §§ 26 to 32, 159 to 167,  
169 to 171, 177 to 178.

#### Notes of Decisions

In general 2  
Admissibility of evidence 8  
Construction and application 3  
Costs 9  
Creation and enforcement of liens 7  
Eminent domain powers 4  
Property of public service district 5  
Rates and charges for service 6

#### Validity 1

##### 1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6.

§ 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 123(3); Statutes ⇨ 123(5)

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953, c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 4056; Municipal Corporations ⇨ 4

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or applicable provisions of State Constitution. Acts 1953, c. 147, § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 4416; Municipal Corporations ⇨ 408(1)

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2355; Municipal Corporations ⇨ 4

## 2. In general

A public service district may be created for the purpose of furnishing water or sewer services, or both water and sewer services. Code, 16-13A-1. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 5

Creation and operation of water or sanitary districts or authorities by issuance of revenue bonds payable from revenues are authorized. Code, 16-13A-1 et seq. State ex rel. Appalachian Power Co. v. Gainer, 1965, 143 S.E.2d 351, 149 W.Va. 740. Health ⇨ 369; Waters And Water Courses ⇨ 183.5

A county court may use Federal Revenue Sharing Funds for ordinary and necessary maintenance and operating expenses for sewage disposal, sanitation, and pollution abatement, and ordinary and necessary capital expenditures authorized by law but may not use such funds for matching purposes under any other federal-aid program. 55 W.Va. Op.Atty.Gen. 116 (June 27, 1973) 1973 WL 159152.

## 3. Construction and application

A public service district is a public corporation and does not come within constitutional

provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 80(3)

## 4. Eminent domain powers

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⇨ 32

Condemnation by public service district is not a taking of private property for private use in violation of applicable constitutional provision. Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⇨ 13

## 5. Property of public service district

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⇨ 2289

## 6. Rates and charges for service

Relief under Federal Securities Act of 1933 was not adequate or sufficient remedy for relief sought by corporations holding sewer revenue bonds of public service district in mandamus proceeding to compel district to establish and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariff reflecting such charges with Public Service Commission, and any relief afforded under provisions of federal statute could not supersede relief which could be granted in mandamus proceeding. Securities Act of 1933, § 1 et seq., 15 U.S.C.A. § 77a et seq.; Code, 16-13A-1 et seq. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 3(8)

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operation-

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## PUBLIC HEALTH

### Note 6

al and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 110

It was ministerial duty of chairman of public service board of public service district to sign revenue bonds and to assist in effectuating their issuance, and in view of constitutionality of statute authorizing creation of the public service board, relator's showing of legal right to require performance of such duty, was sufficient and writ of mandamus would issue. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 103

### 7. Creation and enforcement of liens

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⇨ 712(7)

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⇨ 14.6; Municipal Corporations ⇨ 712(7); Waters And Water Courses ⇨ 203(14)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

### 8. Admissibility of evidence

Extrinsic evidence relating to background and negotiations with regard to forming a public service district were not admissible in regard to construction of a contract for furnishing of water, where contract language was clear and unambiguous that district was to furnish water as customer should require. Berkeley County Public Service Dist. v. Vitro Corp. of America, 1968, 162 S.E.2d 189, 152 W.Va. 252. Evidence ⇨ 448

### 9. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 190

## § 16-13A-1a. Jurisdiction of the public service commission

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters.

Acts 1986, c. 81.

### Library References

Public Utilities ⇨ 145.

Westlaw Topic No. 317A.

## PUBLIC SERVICE DISTRICTS

## § 16-13A-1b

C.J.S. Public Utilities §§ 26 to 32, 159 to 167,  
169 to 171, 177 to 178.

### Notes of Decisions

#### In general 1

##### 1. In general

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist.,

1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇌ 123

Legislature sought to establish in Public Service Commission (PSC) governmental entity which would protect public from unfair rates and practices by public utilities and also ensure that public utilities are given competitive return for their stockholders. Code, 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇌ 123; Public Utilities ⇌ 129

### § 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification. Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission.

Acts 1986, c. 81; Acts 1994, c. 61.

## Cross References

Public Service Commission, participation in studies, see § 24-1-1b.

## Library References

Counties § 18, 47.  
Westlaw Topic No. 104.  
C.J.S. Counties §§ 31, 70 to 73.

## § 16-13A-1c. General purpose of districts

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water, sewerage or stormwater services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with: (1) The diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (herein sometimes referred to as "water facilities"); (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills"); (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"); or (4) the collection, control or disposal of stormwater (herein sometimes referred to as "stormwater system" or "stormwater systems"), or (5) the management, operation, maintenance and control of stormwater and stormwater systems (herein sometimes referred to as "stormwater management program" or "stormwater management programs"). As used in this article "stormwater system" or "stormwater systems" means, a stormwater system in its entirety or any integral part thereof used to collect, control or dispose of stormwater, and includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations: Provided, That the term "stormwater system" or "stormwater systems" does not include highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways. As used in this article "stormwater management program" or "stormwater management programs" means those activities associated with the management, operation, maintenance and control of stormwater and stormwater systems, and includes, but is not limited to, public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforcement.

ment and any other activities required by state and federal law: Provided, however, That the term "stormwater management program" or "stormwater management programs" does not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties ⇨18.	C.J.S. Counties § 31.
Gas ⇨12.	C.J.S. Gas §§ 43 to 45.
Municipal Corporations ⇨5, 6.	C.J.S. Municipal Corporations § 11.
Waters and Water Courses ⇨183.5.	C.J.S. Waters §§ 483, 543 to 581.
Westlaw Topic Nos. 104, 190, 268, 405.	

### § 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the Secretary of State

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) On its own motion by order duly adopted, (2) upon the recommendation of the Public Service Commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: *Provided*, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the Public Service Commission, which approval and consent shall be in accordance with rules promulgated by the Public Service Commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: *Provided, however*, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services, stormwater services or gas facilities not being furnished within such territory or part thereof: *Provided further*, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district

except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. Within ten days of fixing the date of hearing, the county commission shall provide the Executive Secretary of the Public Service Commission with a copy of the order or petition and notification of the time and place of the hearing to be held by the county commission. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing

the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the Public Service Commission for such purpose: *Provided*, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the Public Service Commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: *Provided, however*, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the Public Service Commission. The Public Service Commission may provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The Public Service Commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the Public Service Commission pursuant to this section and section one-b, of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: *Provided*, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive, all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the Public Service Commission shall apply. The Commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: *Provided, however*, That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the Secretary of State and the Public Service Commission by the first day of July of each year.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1967, c. 105; Acts 1975, c. 140; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1995, c. 125, eff. 90 days after March 11, 1995; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2005, c. 195, eff. 90 days after April 9, 2005.

**Library References**

Counties Ⓢ47.  
Municipal Corporations Ⓢ6.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.  
C.J.S. Municipal Corporations § 11.

**Notes of Decisions**

Costs 6  
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ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes Ⓢ 123(3); Statutes Ⓢ 123(5).

**1. Validity**

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24.

## PUBLIC SERVICE DISTRICTS

## § 16-13A-3

State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2355; Municipal Corporations ⇨ 4

### 2. Creation of public service districts

Where notice, hearing and order with respect to creation of public service district considered only the question of furnishing water, such district was created only for the purposes of furnishing water services, and had no power to condemn real estate for sewerage facilities. Code, 16-13A-1, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Eminent Domain ⇨ 32

Where public service district was created for purpose of furnishing water services, county court had authority to add sewerage services to the facilities of the district under appropriate proceedings. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 270

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

### 3. District boundaries

Public service district statute that allowed county commission to designate district's boundaries did not also empower commission to make service territories exclusive, displacing Public Service Commission's (PSC) authority to determine service rights. Code, 16-13A-2. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Counties ⇨ 47

### 4. Notice of hearing

Provisions of statute, with respect to creation of public service districts, which relate to the filing of the petition or motion of the county court, the description of the territory to be embraced, and like provisions are mandatory; but, despite use of the word "shall," the require-

ments for posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 12(3); Municipal Corporations ⇨ 12(6)

Though record with respect to creation of public service district was silent with respect to posting of notice of hearing and as to whether hearing was not more than 40 nor less than 20 days after his fixing the date for hearing as provided by statute, there was substantial compliance with statute where hearing was set some time prior to the date of the hearing, there was publication of notice more than ten days prior to the date of the hearing as required, and there were no objections either before, during or after the hearing to the creation of the district or to the procedures employed in its creation. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 12(6)

### 5. Number of voters within district

Public service district was not void because there were not 100 legal voters owning property within the district. Code, 16-13A-2. Canyon Public Service Dist. v. Tasa Coal Co., 1973, 195 S.E.2d 647, 156 W.Va. 606. Municipal Corporations ⇨ 6

### 6. Costs

Costs of proceeding whereby constitutionality of statute authorizing creation of public service districts was tested would not be taxed against defendant who was chairman of public service board and who, honestly and in good faith, though mistakenly, endeavored to perform his duty in refusing to sign revenue bonds, and each litigant would pay his own costs. Acts 1953, c. 147. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Mandamus ⇨ 190

### 7. Referendum

A public service district, once created by county court, not subject to referendum on issue to continue or be abolished. 52 W.Va. Op. Atty. Gen. 33 (August 11, 1966) 1966 WL 87428.

## § 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into

contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, or for furnishing stormwater services for the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six

years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1983, c. 166; Acts 1986, c. 81; Acts 1994, c. 61; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

**Law Review and Journal Commentaries**

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).  
 "Yes, West Virginia, there is a special priority for the purchase money mortgage." The recognition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

**Library References**

Counties ⇨18. C.J.S. Counties § 31.  
 Municipal Corporations ⇨6. C.J.S. Municipal Corporations § 11.  
 Westlaw Topic Nos. 104, 268.

**Notes of Decisions**

In general 1  
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 Standard of care 2

Tort Claims Act 7

1. In general  
 Board members of the Mt. Zion Public Service District cannot be compensated for performing the duties of treasurer and/or secretary

for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

#### 2. Standard of care

Public service district owes duty of reasonable care to avoid damage to property of others with respect to maintenance of water lines. *McCloud v. Salt Rock Water Public Service Dist.*, 2000, 533 S.E.2d 679, 207 W.Va. 453. *Waters And Water Courses* ⇨ 205

#### 3. Ministerial officers, generally

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. *State v. Neary*, 1987, 365 S.E.2d 395, 179 W.Va. 115. *Courts* ⇨ 55; *Judges* ⇨ 21

#### 4. Removal of members

Public Service District board member can be removed by majority vote of registered voters. 51 W.Va. Op.Atty.Gen. 564 (November 10, 1965) 1965 WL 92492.

#### 5. Criminal responsibility of members

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. *State v. Neary*, 1987, 365 S.E.2d 395, 179 W.Va. 115. *Counties* ⇨ 60

#### 6. Sale of water

Public Service Districts may sell, at wholesale, bulk water to other municipal corporations. 51 W.Va. Op.Atty.Gen. 739 (March 16, 1966) 1966 WL 87469.

#### 7. Tort Claims Act

Tort Claims Act's protection extended to public service districts, under the Act's definition of political subdivision, which included the term "public service districts," despite general authorization for public service districts to "sue and be sued," in the Public Health statutes. *Zirkle v. Elkins Road Public Service Dist.*, 2007, 655 S.E.2d 155. *Waters And Water Courses* ⇨ 183.5

### § 16-13A-3a. Removal of members of public service board

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal.

Acts 1963, c. 75; Acts 1971, c. 72; Acts 1981, c. 124; Acts 1986, c. 81.

Counties ⇨ 45.  
 Public Utilities ⇨ 145.  
 Westlaw Topic Nos. 104, 317A.

**Library References**

C.J.S. Counties § 67.  
 C.J.S. Public Utilities §§ 26 to 32, 159 to 167,  
 169 to 171, 177 to 178.

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**Sufficiency of evidence** 3

is to protect public funds and give official recognition to fact that person cannot properly represent public in transacting business with himself. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Courts ⇨ 55; Judges ⇨ 21

**1. Criminal responsibility of members**

Upon becoming member of county commission, person who is pecuniarily interested in proceeds of any contract or service with public service district violates criminal conflict of interest statute; by virtue of that position, that person has some voice, influence, or control over continuation of contract. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇨ 60

**2. Ministerial officers, generally**

Public policy of West Virginia, as evidenced by statute making it unlawful for county or district board member or officer to be or become pecuniarily interested in proceeds of any contract or service over which he might have any voice, influence, or control, is not directed against actual fraud or collusion but is for purpose of preventing those acts and eliminating any opportunity therefor, and purpose of statute

**3. Sufficiency of evidence**

County commissioner's conviction for being or becoming pecuniarily interested in contract over which he might have some voice or influence was supported by evidence of his continued performance of contract maintenance work for public service district after his election to commission. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115. Counties ⇨ 60

Conflict of interest indictment against county commissioner was sufficient even though it did not characterize commissioner's interest as pecuniary, and commissioner was not entitled to bill of particulars. Code, 61-10-15. State v. Neary, 1987, 365 S.E.2d 395, 179 W.Va. 115; Counties ⇨ 60

**§ 16-13A-4. Board chairman; members' compensation; procedure; district name**

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five

dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the Public Service Commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three, article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful

misconduct in the performance of their duties. The county commission which created a district or county commissions if more than one created the district may, upon written request of the district, adopt an order changing the official name of a public service district: *Provided*, That such name change will not be effective until approved by the public service commission of West Virginia and the owners of any bonds and notes issued by the district, if any, shall have consented, in writing, to the name change. If a district includes territory located in more than one county, the county commission or county commissions changing the name of the district shall provide any county commission into which the district also extends with a certified copy of the order changing the name of the district. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2000, c. 199, eff. 90 days after March 11, 2000; Acts 2005, c. 196, eff. 90 days after April 8, 2005.

**Library References**

Counties ☞68, 87.  
Municipal Corporations ☞161.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 107 to 118, 128.  
C.J.S. Municipal Corporations §§ 372 to 390.

**Notes of Decisions**

**In general 1**

**1. In general**

Board members of the Mt. Zion Public Service District cannot be compensated for per-

forming the duties of treasurer and/or secretary for the Mt. Zion Public Service District; furthermore, a board member may not be compensated for reading meters for the Mt. Zion Public Service District. 63 W.Va. Op.Atty.Gen. 2 (July 14, 1988) 1988 WL 483329.

**§ 16-13A-5. General manager of board**

The board may employ a general manager to serve a term of not more than five years and until his or her successor is employed, and his or her compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his or her time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he or she shall perform and exercise such other powers and duties as may be conferred upon him or her by the board.

Such general manager shall be chosen without regard to his or her political affiliations and upon the sole basis of his or her administrative and technical qualifications to manage public service properties and affairs of the district and he or she may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he or she is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water, sewer or stormwater service from a municipal water, sewer or stormwater system or

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another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water, sewer or stormwater system or public service district from which such water, sewer or stormwater service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties ⇨65, 68. C.J.S. Counties §§ 101 to 103, 107 to 118.  
Municipal Corporations ⇨149, 161. C.J.S. Municipal Corporations §§ 361 to 366,  
Westlaw Topic Nos. 104, 268. 368, 372 to 390.

### § 16-13A-6. Employees of board

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees.

Acts 1953, c. 147; Acts 1981, c. 124.

#### Library References

Counties ⇨65, 68, 87. C.J.S. Municipal Corporations §§ 361 to 366,  
Municipal Corporations ⇨149, 161, 170. 368, 372 to 405.  
Westlaw Topic Nos. 104, 268.  
C.J.S. Counties §§ 101 to 103, 107 to 118,  
128.

### § 16-13A-7. Acquisition and operation of district properties

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same, including, but not limited to, those activities necessary to comply with all federal and state requirements, including water quality improvement activities. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three, chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent

possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years.

Acts 1953, c. 147; Acts 1967, c. 105; Acts 1981, c. 124; Acts 1982, c. 24; Acts 1986, c. 81; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties ☞107.

Municipal Corporations ☞711.

Public Utilities ☞114.

Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 147.

C.J.S. Municipal Corporations § 1535.

C.J.S. Public Utilities §§ 5 to 9, 202 to 207.

#### § 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities, stormwater facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding

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and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities, a stormwater system, stormwater management program or gas facilities for water, sewer, stormwater or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That the power of eminent domain provided in this section does not extend to highways, road and drainage easements, or stormwater facilities constructed, owned or operated by the West Virginia division of highways without the express agreement of the commissioner of highways: Provided, however, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof.

Acts 1953, c. 147; Acts 1980, c. 60; Acts 1981, c. 124; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

### Library References

Counties Ⓒ103, 104.

Eminent Domain Ⓒ6, 16.

Municipal Corporations Ⓒ221, 224.

Westlaw Topic Nos. 104, 148, 268.

C.J.S. Counties §§ 143 to 144, 147.

C.J.S. Municipal Corporations §§ 873 to 880.

C.J.S. Property § 17.

### Notes of Decisions

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Public corporation 7

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#### 1. Validity

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying wa-

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ter and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 123(3); Statutes ⇨ 123(5)

Property of public service district is public property used for public purposes, and, under constitutional provision that public property shall be exempt from taxation, statute authorizing creation of public service districts and granting tax exemption was not violative of constitutional provision requiring that taxation be equal and uniform throughout state. Acts 1953, c. 147, § 1 et seq.; Const. art. 10, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Taxation ⇨ 2289

### 2. In general

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2510

### 3. Eminent domain powers

Although construction of new facility proposed by utility will often require taking of private property through eminent domain, absent express statutory language Public Service Commission (PSC) has no duty to review and decide issues that are inherent in eminent domain proceeding. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇨ 114

Statute providing that private property may be taken or damaged for a number of specified purposes is consonant with organic law and is constitutional. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Eminent Domain ⇨ 3

### 4. Valuation of property

Although landowner is competent to give estimate of value of property in eminent domain proceeding, that valuation is not conclusive; government agency may rely on appraisal report concerning estimated value of property to

be taken. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Evidence ⇨ 568(4)

### 5. Environmental assessment

Whether construction of sewage lagoons would constitute "nuisance" does not defeat Public Service Commission's (PSC) jurisdiction to issue certificate of public convenience and necessity; while PSC may assess environmental considerations, chief inquiry by PSC is need of public for project. Code, 24-2-11. Sexton v. Public Service Com'n, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇨ 708

### 6. Connections with sewers or drains

City, rather than sewer and water districts, was entitled to provide sewer and water services to newly developed tract that was within districts' boundaries, but was annexed to city, where such services were not previously furnished to tract. Code, 16-13A-8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇨ 712(1); Waters And Water Courses ⇨ 201

If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right to extend water and/or sewer service which were not being previously furnished to the tract by the public service district, and under those circumstances, a public service district would need the consent of the municipality and the Public Service Commission (PSC) in order to provide such service. Code, 16-13A-8. Berkeley County Public Service Sewer Dist. v. West Virginia Public Service Com'n, 1998, 512 S.E.2d 201, 204 W.Va. 279. Municipal Corporations ⇨ 712(1); Waters And Water Courses ⇨ 201; Waters And Water Courses ⇨ 202

### 7. Public corporation

A public service district is a public corporation and does not come within constitutional provision which in substance provides that all corporations shall be created by general laws and which is applicable to private corporations. Acts 1953, c. 147, § 1 et seq.; Const. art. 11, § 1. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 80(3)

## § 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management,

maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars

has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the public service commission may prescribe: *Provided*, That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities either water or sewer, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: *Provided*, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: *Provided, however*, That any termination of water service must comply with all rules and orders of the public service commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the division of health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where

there is gravity flow or transportation by any other methods approved by the division of health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the division of health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the division of health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) Whenever any district has made available a stormwater system to any owner, tenant or occupant of any real property located near the stormwater system and where stormwater from real property affects or drains into the stormwater system, it is hereby found, determined and declared that the owner, tenant or occupant is being served by the stormwater system and it is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge, and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipi-

pal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided*, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003.

**Law Review and Journal Commentaries**

The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ? John W. Fisher, II, 98 W. Va. L. Rev. 449 (1996).

"Yes, West Virginia, there is a special priority for the purchase money mortgage." The recog-

inition of purchase money mortgage priority in West Virginia. Abraham M. Ashton, 107 W. Va. L. Rev. 525 (2005).

**Library References**

Gas Ⓢ14.6.  
Municipal Corporations Ⓢ712.  
Waters and Water Courses Ⓢ203.  
Westlaw Topic Nos. 190, 268, 405.

C.J.S. Gas §§ 64, 84 to 85.  
C.J.S. Municipal Corporations § 1535.  
C.J.S. Waters §§ 483, 666 to 732.

**Notes of Decisions**

Notice of availability of sewer service 5  
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applicable provisions of State Constitution. Acts 1953, c. 147; § 1 et seq.; Const. art. 3, §§ 9, 10; U.S.C.A. Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law Ⓢ 4416; Municipal Corporations Ⓢ 408(1)

**1. Validity**

In statute authorizing creation of public service districts, provision for delinquent fixed rates and charges for services rendered to be lien on premises served was not unconstitutional as depriving owners of property without due process of law or as violating Fourteenth Amendment of United States Constitution or

**2. Takings**

Public service district's requiring property owner to connect onto its sewer system and to abandon private sewer system located on property was not a taking of private property without just compensation. Const. Art. 3, § 9; Code, 16-13A-9; U.S.C.A. Const. Amend. 5; Kingmill Valley Public Service Dist. v. River-

view Estates Mobile Home Park, Inc., 1989, 386 S.E.2d 483, 182 W.Va. 116. Eminent Domain ⇨ 2.18

Statute providing that private property may be taken or damaged for a number of specified purposes amounts to legislative declaration of public purposes within meaning of laws, and it is a judicial question whether such declaration is consonant with organic law. Acts 1949, c. 59; Const. art. 3, § 9. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2510

### 3. Public service district liens

Public service district liens must be docketed to be enforceable against purchaser of property for valuable consideration, without notice. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Gas ⇨ 14.6; Municipal Corporations ⇨ 712(7); Waters And Water Courses ⇨ 203(14)

Public service district's failure to docket notice of lien prior to date purchaser recorded deed of trust prevented district from enforcing sewer lien against purchaser. Code, 16-13A-9, 38-10C-1. McClung Investments, Inc. v. Green Valley Community Public Service Dist., 1997, 485 S.E.2d 434, 199 W.Va. 490. Municipal Corporations ⇨ 712(7)

If owner, tenant or occupant of garage apartment did not receive notice that public service district's sewer facilities were available for apartment, district would have been without statutory authority to impose charges and a lien against apartment for sewer services, though the apartment was on a lot containing another dwelling which was properly subject to sewer service charges. Code, 16-13A-9, 16-13A-21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Municipal Corporations ⇨ 712(7)

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal

Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

### 4. Rates and charges for service

Statute clearly and unambiguously gives Public Service Commission (PSC) power to reduce or increase utility rates whenever it finds that existing rate is unjust, unreasonable, insufficient, or unjustly discriminatory or otherwise in violation of any provision of legislation governing Commission. Code, 24-1-1 et seq., 24-2-3. State ex rel. Water Development Authority v. Northern Wayne County Public Service Dist., 1995, 464 S.E.2d 777, 195 W.Va. 135. Public Utilities ⇨ 123

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 110

Duty imposed on public service district, a public corporation and political subdivision of state, to establish rates and charges sufficient to pay cost of maintenance, operation and depreciation of properties of district and principal of and interest on all bonds issued by district is nondiscretionary duty which may be enforced by mandamus. Code, 16-13A-9. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 80

### 5. Notice of availability of sewer service

Issue of fact as to whether owner or tenant had received notice that public service district's sewer services were available for garage apartment, so as to allow imposition of sewer service charges and a lien against apartment, was not appropriate for resolution in mandamus proceeding. Code, 16-13A-9, 16-13A-21. Rhodes v. Malden Public Service Dist., 1983, 301 S.E.2d 601, 171 W.Va. 645. Mandamus ⇨ 174

## § 16-13A-9a. Limitations with respect to foreclosure

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that

the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1982, c. 74.

**Library References**

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|-----------------------------------|---------------------------------------|
| Gas ⇨14.6.                        | C.J.S. Gas §§ 64, 84 to 85.           |
| Municipal Corporations ⇨712.      | C.J.S. Municipal Corporations § 1535. |
| Waters and Water Courses ⇨203.    | C.J.S. Waters §§ 483, 666 to 732.     |
| Westlaw Topic Nos. 190, 268, 405. |                                       |

**§ 16-13A-10. Budget**

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board.

Acts 1953, c. 147; Acts 1981, c. 124.

**Library References**

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|------------------------------|--|
| Counties ⇨154.5.             | C.J.S. Municipal Corporations §§ 1621 to 1622. |
| Municipal Corporations ⇨879. |  |
| Westlaw Topic Nos. 104, 268. |  |

**Notes of Decisions**

**In general 1**

**1. In general**

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered

by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇨ 110

**§ 16-13A-11. Accounts; audit**

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders

pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine, chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both.

Acts 1953, c. 147; Acts 1981, c. 124; Acts 1986, c. 81.

#### Library References

Counties ☞154.5.  
Municipal Corporations ☞879.  
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to  
1622.

#### § 16-13A-12. Disbursement of district funds

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board.

Acts 1953, c. 147; Acts 1981, c. 124.

#### Library References

Counties ☞158.  
Municipal Corporations ☞883.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 198.  
C.J.S. Municipal Corporations §§ 1626, 1635.

**§ 16-13A-13. Revenue bonds**

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolution or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized.

Acts 1953, c. 147; Acts 1970, c. 11; Acts 1970, c. 12; Acts 1970, 1st Ex. Sess., c. 2; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1989, c. 174.

**Library References**

Counties ☞174.

Municipal Corporations ☞911.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 218.

C.J.S. Municipal Corporations §§ 1647 to 1649.

## Notes of Decisions

## In general 1

## 1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such

charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

Two acts amending same Code section in same manner except as to maximum interest rate of bonds, enacted on same date at same legislative session, and impossible to determine which passed after the other, that having lower maximum interest rate will govern. 53 W.Va. Op. Atty. Gen. 418 (April 8, 1970) 1970 WL 116579.

## § 16-13A-14. Items included in cost of properties

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; for stormwater systems and associated stormwater management programs, those activities which include, but are not limited to, water quality improvement activities necessary to comply with all federal and state requirements; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof.

Acts 1953, c. 147; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

## Library References

Counties ⇐ 154.5.

Municipal Corporations ⇐ 879.

Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1621 to 1622.

## § 16-13A-15. Bonds may be secured by trust indenture

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable

and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee.

Acts 1953, c. 147.

**Library References**

Counties ⇨183.

Municipal Corporations ⇨950(15).  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 222.

C.J.S. Municipal Corporations §§ 1708 to 1709.

**United States Code Annotated**

Trust Indenture Act of 1939, see 15 U.S.C.A. § 77aaa et seq.

**§ 16-13A-16. Sinking fund for revenue bonds**

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions.

Acts 1953, c. 147.

**Library References**

Counties ⇨186.5.

Municipal Corporations ⇨951.  
Westlaw Topic Nos. 104, 268.

C.J.S. Municipal Corporations §§ 1704 to 1705.

**§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver**

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided.

Acts 1953, c. 147.

**Library References**

Counties Ⓒ188.

Municipal Corporations Ⓒ937, 955.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.

C.J.S. Municipal Corporations §§ 1707, 1711.

Notes of Decisions

In general 1

1. In general

Corporations holding sewer revenue bonds of public service district, a public corporation and political subdivision of state, had right by mandamus to enforce and compel district and members of the Public Service Board to establish, charge and collect rates for services rendered

by district sufficient to provide for all operational and maintenance expenses, to pay, when due, principal and interest of revenue bonds issued by district, and to file tariffs reflecting such charges with Public Service Commission. Code, 16-13A-1 et seq., 16-13A-9, 16-13A-10, 16-13A-13, 16-13A-17. State ex rel. Allstate Ins. Co. v. Union Public Service Dist., 1966, 151 S.E.2d 102, 151 W.Va. 207. Mandamus ⇐ 110

§ 16-13A-18. Operating contracts

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid.

Acts 1953, c. 147.

Library References

Counties ⇐114.  
Municipal Corporations ⇐328.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 161.  
C.J.S. Municipal Corporations §§ 1027 to 1029.

§ 16-13A-18a. Sale, lease or rental of water, sewer, stormwater or gas system by district; distribution of proceeds

In any case where a public service district owns a water, sewer, stormwater or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer, stormwater or gas system to any municipality or privately-owned water, sewer, stormwater or gas system, or to any water, sewer, stormwater or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer, stormwater or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commissions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

## PUBLIC SERVICE DISTRICTS

§ 16-13A-20

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer, stormwater or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer, stormwater or gas system is located to be placed in the general funds of such county commission.

Acts 1963, c. 75; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1997, c. 160; eff. 90 days after April 10, 1997; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

### Library References

Counties Ⓒ110.

Municipal Corporations Ⓒ225.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 147.

C.J.S. Municipal Corporations §§ 882 to 892.

### § 16-13A-19. Statutory mortgage lien created; foreclosure thereof

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

Acts 1953, c. 147.

### Library References

Counties Ⓒ188.

Municipal Corporations Ⓒ937, 955.

Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 226.

C.J.S. Municipal Corporations §§ 1707, 1711.

### Notes of Decisions

In general 1

#### 1. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property

of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations Ⓒ 222; Municipal Corporations Ⓒ 225(1)

### § 16-13A-20. Refunding revenue bonds

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding

bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded.

Acts 1953, c. 147.

**Library References**

- |                              |  |
|------------------------------|--|
| Counties ⇨175.               | C.J.S. Counties § 218.                               |
| Municipal Corporations ⇨913. | C.J.S. Municipal Corporations §§ 1647 to 1648, 1651. |
| Westlaw Topic Nos. 104, 268. |  |

**§ 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption**

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent.

Acts 1953, c. 147; Acts 1986, c. 81; Acts 1994, c. 61.

**Library References**

- |                            |                                     |
|----------------------------|-------------------------------------|
| Counties ⇨18.              | Westlaw Topic Nos. 104, 268, 371.   |
| Municipal Corporations ⇨5. | C.J.S. Counties § 31.               |
| Taxation ⇨2316, 3519.      | C.J.S. Municipal Corporations § 11. |

**Notes of Decisions**

In general 2  
Validity 1

**1. Validity**

Statute authorizing creation of public service districts violates no provision of State Constitution, nor is it violative of Fourteenth Amendment to United States Constitution. Act 1953,

c. 147; U.S.C.A.Const. Amend. 14. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 4056; Municipal Corporations ⇨ 4

Statute authorizing creation of public service districts does not, in so far as it requires County Court to define territory to be included in public service district and appoint a board to govern same in first instance, involve unconstitutional

delegation of judicial functions to the County Court, Acts 1953, c. 147; Const. art. 8, § 24. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Constitutional Law ⇨ 2355; Municipal Corporations ⇨ 4

## 2. In general

Statute authorizing creation of public service districts confers upon public service board authority to create mortgage lien on the property of public service district, and action of legislature conferring such authority was within the legislature's power. Acts 1953, c. 147; Const. art. 10, § 8. State ex rel. McMillion v. Stahl,

1955, 89 S.E.2d 693, 141 W.Va. 233. Municipal Corporations ⇨ 222; Municipal Corporations ⇨ 225(1)

Title of act authorizing creation of public service districts in connection with acquisition, construction, maintenance, operation, improvement and extension of properties supplying water and sewerage services, clearly defines object and purposes of act and powers of governing board, and is sufficient to meet constitutional requirements. Acts 1953, c. 147; Const. art. 6, § 30. State ex rel. McMillion v. Stahl, 1955, 89 S.E.2d 693, 141 W.Va. 233. Statutes ⇨ 123(3); Statutes ⇨ 123(5)

## § 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards

All acts and proceedings taken by any county court of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect, for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city, incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article.

Acts 1958, c. 14; Acts 1960, c. 19.

*W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.*

## Library References

Counties ⇨18.  
Municipal Corporations ⇨5.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties § 31.  
C.J.S. Municipal Corporations § 11.

## § 16-13A-23. Validation of acts and proceedings of public service boards

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act.

Acts 1958, c. 14; Acts 1960, c. 19; Acts 1965, c. 134.

*W.Va. Const., art. IX, § 9, redesignated the office of the county court as county commission.*

## Library References

Counties ⇨47.  
Municipal Corporations ⇨166.  
Westlaw Topic Nos. 104, 268.

C.J.S. Counties §§ 70 to 73.  
C.J.S. Municipal Corporations §§ 369 to 371.

## § 16-13A-24. Acceptance of loans, grants or temporary advances

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems, stormwater systems or stormwater management systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this article, the revenues of the said water system, sewage system, stormwater system or associated stormwater management system or gas facilities, or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary

advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument.

Acts 1958, c. 14; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 118; Acts 2002, c. 272, eff. 90 days after March 9, 2002.

#### Library References

Counties ⇨149.

C.J.S. Counties §§ 185, 187.

Municipal Corporations ⇨864(3).

C.J.S. Municipal Corporations §§ 1583 to 1585, 1587.

Westlaw Topic Nos. 104, 268.

#### Notes of Decisions

In general 1

note, is permissible borrowing under this section. 62 W.Va. Op.Atty.Gen. 27 (May 6, 1988) 1988 WL 483331.

1. In general

The borrowing by PSD's of money from counties and/or municipalities, as evidenced by a

### § 16-13A-25. Borrowing and bond issuance; procedure

(a) Notwithstanding any other provisions of this article to the contrary, a public service district may not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four of this article without the prior consent and approval of the Public Service Commission: *Provided*, That approval of funding set forth in section eleven, article two, chapter twenty-four of this code or this section is not required if the funding is for a project which has received a certificate of public convenience and necessity after the eighth day of July, two thousand five, from the commission and where the cost of the project changes but the change does not affect the rates established for the project.

(b) The Public Service Commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, a verified statement by the board members that the public service district has complied with chapter five-g of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to:

- (1) Experience with the same engineering firm; or
- (2) Completion of a construction project requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver.
- (c) An engineering contract that meets one or more of the following criteria is exempt from the waiver or approval requirements:

- (1) A contract with a public service district that is a Class A utility on the first day of April, two thousand three, or subsequently becomes a Class A utility as defined by commission rule;

(2) A contract with a public service district that does not require borrowing and that can be paid out of existing rates;

(3) A contract where the payment of engineering fees are contingent upon the receipt of funding, and commission approval of the funding, to construct the project which is the subject of the contract; or

(4) A contract that does not exceed fifteen thousand dollars.

(d) Requests for approval or waivers of engineering contracts shall be deemed granted thirty days after the filing date unless the staff of the Public Service Commission or a party files an objection to the request. If an objection is filed, the Public Service Commission shall issue its decision within one hundred twenty days of the filing date. In the event objection is received to a request for a waiver, the application shall be considered a request for waiver as well as a request for approval in the event a waiver is not appropriate.

(e) Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the Public Service Commission in accordance with the provision of chapter twenty-four of this code when a public service district is seeking to acquire or construct public service property.

Acts 1969, 1st Ex. Sess., c. 6; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1996, c. 213, eff. 90 days after March 9, 1996; Acts 1997, c. 159, eff. 90 days after April 12, 1997; Acts 2003, c. 184, eff. 90 days after March 7, 2003; Acts 2005, c. 193, eff. 90 days after April 9, 2005; Acts 2006, c. 190, eff. 90 days after March 10, 2006.

**Library References**

Counties ⇨114.  
Municipal Corporations ⇨270.  
Public Utilities ⇨145.  
Westlaw Topic Nos. 104, 268, 317A.

C.J.S. Counties § 161.  
C.J.S. Public Utilities §§ 26 to 32, 159 to 167, 169 to 171, 177 to 178.

**Research References**

**ALR Library**

101 ALR 5th 287, Remedies for Sewage Treatment Plant Alleged or Deemed to be Nuisance.

**Notes of Decisions**

**In general** 1  
**Certificate of public convenience and necessity** 2

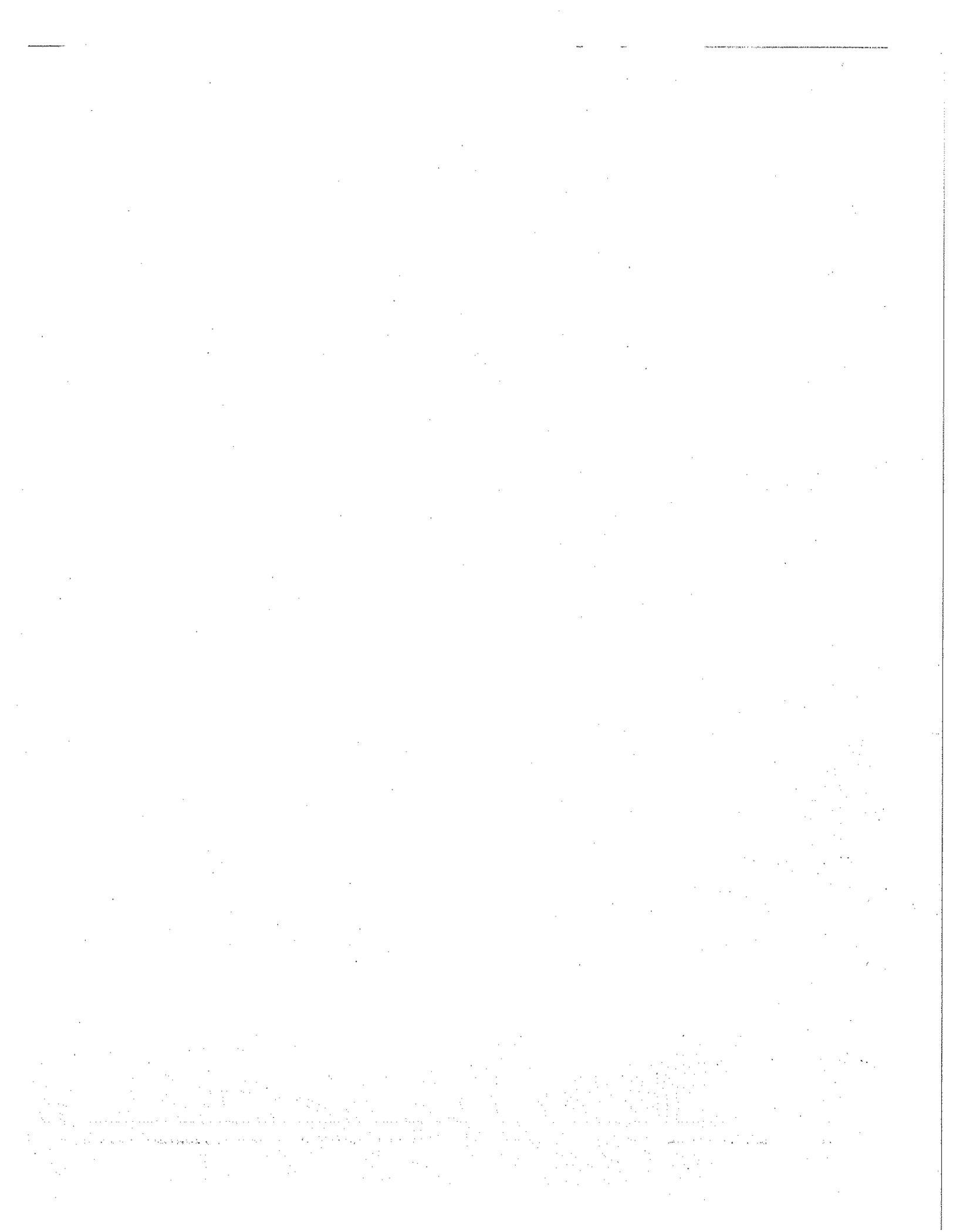
environmentally sound. Code, 16-13A-25, 24-2-11, 24-2-11(a). *Sexton v. Public Service Com'n*, 1992, 423 S.E.2d 914, 188 W.Va. 305. Municipal Corporations ⇨ 708

**1. In general**

Proposed sewage treatment project complied with buffer zone requirements where all parties acknowledged that distance of proposed sewage lagoons from property owners' home was further than minimum buffer-zone requirement of 300 feet; Public Service Commission relied on ample evidence in record to support claim that proposed location was both cost-effective and

**2. Certificate of public convenience and necessity**

Public Service district must obtain certificate of public convenience and necessity before it can acquire or construct public service property. Code, 16-13A-25. *Sexton v. Public Service Com'n*, 1992, 423 S.E.2d 914, 188 W.Va. 305. Public Utilities ⇨ 113



*West's*  
Annotated Code  
of West Virginia

~~~~~  
*Using the Classification and  
Numbering System of the  
1931 Code of West Virginia,  
as Amended*

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Chapter 16

2008  
Cumulative Annual Pocket Part

Supplementing 2008 Main Volume

Includes laws through the 2008 First Extraordinary Session

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the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article.

(k) The jurisdiction and authority provided by this section does not extend to highways, road and drainage easements and stormwater facilities constructed, owned or operated by the West Virginia Division of Highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements and/or stormwater facilities constructed, owned and/or operated by the West Virginia Division of Highways.

(l) A municipality which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C. F. R. § 122.26, has the authority to enact ordinances or regulations which allow for the issuance of orders, the right to enter properties and the right to impose reasonable fines and penalties regarding correction of violations of municipal stormwater ordinances or regulations within the municipal watershed served by the municipal stormwater system, as long as such rules, regulations, fines or actions are not contrary to any rules or orders of the Public Service Commission.

(m) Notice of a violation of a municipal stormwater ordinance or regulation shall be served in person to the alleged violator or by certified mail return receipt requested. The notice shall state the nature of the violation, the potential penalty, the action required to correct the violation and the time limit for making the correction. Should a person, after receipt of proper notice, fail to correct the violation of the municipal stormwater ordinance or regulation, the municipality may make or have made the corrections of the violation and bring the party into compliance with the applicable stormwater ordinance or regulation. The municipality may collect the costs of correcting the violation from the person by instituting a civil action, as long as such actions are not contrary to any rules or orders of the Public Service Commission.

(n) A municipality which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall prepare an annual report detailing the collection and expenditure of rates, fees or charges and make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1955, c. 135; Acts 1967, c. 105; Acts 1994, c. 61; Acts 2001, c. 212, eff. 90 days after April 14, 2001; Acts 2008, c. 202, eff. March 8, 2008.

ARTICLE 13A

PUBLIC SERVICE DISTRICTS

| Section                                                                         | Section                                                |
|---------------------------------------------------------------------------------|--------------------------------------------------------|
| 16-13A-9. Rules; service rates and charges; discontinuance of service; required | water and sewer connections; lien for delinquent fees. |

§ 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees

(a)(1) The board may make, enact and enforce all needful rules in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district. The board shall establish rates, fees and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of the public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds under this article. The schedule of the rates, fees and charges may be based upon:

(A) The consumption of water or gas on premises connected with the facilities, taking into consideration domestic, commercial, industrial and public use of water and gas;

(B) The number and kind of fixtures connected with the facilities located on the various premises;

(C) The number of persons served by the facilities;

(D) Any combination of paragraphs (A), (B) and (C) of this subdivision; or

(E) May be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. However, no rates, fees or charges for stormwater services may be assessed against highways, road and drainage easements or stormwater facilities constructed, owned or operated by the West Virginia Division of Highways.

(2) Where water, sewer, stormwater or gas services, or any combination thereof, are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate of the charges. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. Notwithstanding the provisions of section eight, article three, chapter twenty-four of this code to the contrary, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage of the applicant's specific customer class or fifty dollars, with the district to secure the payment of service rates, fees and charges in the event they become delinquent as provided in this section. If a district provides both water and sewer service, all new applicants for service shall deposit the greater of a sum equal to two twelfths of the average annual usage for water service or fifty dollars and the greater of a sum equal to two twelfths of the average annual usage for wastewater service of the applicant's specific customer class or fifty dollars. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another deposit equal to the greater of a sum equal to two twelfths of the average usage for the applicant's specific customer class or fifty dollars has been remitted to the district. After twelve months of prompt payment history, the district shall return the deposit to the customer or credit the customer's account at a rate as the Public Service Commission may prescribe: *Provided*, That where the customer is a tenant, the district is not required to return the deposit until the time the tenant discontinues service with the district. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The board may, under reasonable rules promulgated by the Public Service Commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both, ten days after the water or gas services become delinquent.

(b) In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately water facilities, sewer facilities or stormwater facilities and the district owns and operates another kind of facility either water or sewer, or both, as the case may be, then the district and the publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer or stormwater service fees and charges: *Provided*, That any contracts entered into by a public service district pursuant to this section shall be submitted to the Public Service Commission for approval. Any public service district which provides water and sewer service, water and stormwater service or water, sewer and stormwater service has the right to terminate water service for delinquency in payment of water, sewer or stormwater bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer or stormwater district is providing water service and the district providing sewer or stormwater service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer or stormwater district that is providing water service, upon the request of the district

providing sewer or stormwater service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer or stormwater account: *Provided, however,* That any termination of water service must comply with all rules and orders of the Public Service Commission.

(c) Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the Division of Health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any sewer facilities where sewage will flow by gravity or be transported by other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, from the houses, dwellings or buildings into the sewer facilities, to connect with and use the sewer facilities and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from the houses, dwellings and buildings where there is gravity flow or transportation by any other methods approved by the Division of Health, including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code and the houses, dwellings and buildings can be adequately served by the sewer facilities of the district and it is declared that the mandatory use of the sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of the districts and of the state. If the public service district requires the property owner to connect with the sewer facilities even when sewage from dwellings may not flow to the main line by gravity and the property owner incurs costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the Public Service District Board shall authorize the district to pay all reasonable costs for the changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump or any other method approved by the Division of Health. Maintenance and operation costs for the extra installation should be reflected in the users charge for approval of the Public Service Commission. The circuit court shall adjudicate the merits of the petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

(d) Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near the sewer facility and the engineer for the district has certified that the sewer facilities are available to and are adequate to serve the owner, tenant or occupant and sewage will flow by gravity or be transported by other methods approved by the Division of Health from the house, dwelling or building into the sewer facilities, the district may charge, and the owner, tenant or occupant shall pay, the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner, tenant or occupant. Rates and charges for sewage services shall be based upon actual water consumption or the average monthly water consumption based upon the owner's, tenant's or occupant's specific customer class.

(e) The owner, tenant or occupant of any real property may be determined and declared to be served by a stormwater system only after each of the following conditions is met: (1) the district has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community, as defined in 40 C. F. R. § 122.26; (2) the district's authority has been properly expanded to operate and maintain a stormwater system; (3) the district has made available a stormwater system where stormwater from the real property affects or drains into the stormwater system; and (4) the real property is located in the Municipal Separate Storm Sewer System's designated service area. It is further hereby found, determined and declared that the mandatory use of the stormwater system is necessary and essential for the health and welfare of the inhabitants and residents of the district and of the state. The district may charge and the owner, tenant or occupant shall pay the rates, fees and charges for stormwater services established under this article only after thirty-day notice of the availability of the stormwater system has been received by the owner. An entity providing stormwater service shall provide a tenant a report of the stormwater fee charged for the entire property and, if appropriate, that portion of the fee to be assessed to the tenant.

(f) All delinquent fees, rates and charges of the district for either water facilities, sewer facilities, gas facilities or stormwater systems or stormwater management programs are liens on the premises served of equal dignity, rank and priority with the lien on the premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer, stormwater or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts: *Provided*, That an owner of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor may any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the public service district to purchase the services or facilities.

(g) Anything in this section to the contrary notwithstanding, any establishment, as defined in section three, article eleven, chapter twenty-two of this code, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the Department of Environmental Protection, as prescribed by section eleven, article eleven, chapter twenty-two of this code, is exempt from the provisions of this section.

(h) A public service district which has been designated by the Environmental Protection Agency as an entity to serve a West Virginia Separate Storm Sewer System community shall prepare an annual report detailing the collection and expenditure of rates, fees or charges and make it available for public review at the place of business of the governing body and the stormwater utility main office.

Acts 1953, c. 147; Acts 1965, c. 134; Acts 1980, c. 60; Acts 1981, c. 124; Acts 1986, c. 81; Acts 1989, c. 174; Acts 1994, c. 61; Acts 2002, c. 272, eff. 90 days after March 9, 2002; Acts 2003, c. 183, eff. 90 days after March 8, 2003; Acts 2003, c. 202, eff. March 8, 2003.

## ARTICLE 19

### REVISED ANATOMICAL GIFT ACT

| Section   |                                                                                     | Section   |                                                                                                     |
|-----------|-------------------------------------------------------------------------------------|-----------|-----------------------------------------------------------------------------------------------------|
| 16-19-1.  | Short title.                                                                        | 16-19-13. | Delivery of document of gift not required; right to examine.                                        |
| 16-19-2.  | Applicability.                                                                      | 16-19-14. | Rights and duties of procurement organization and others.                                           |
| 16-19-3.  | Definitions.                                                                        | 16-19-15. | Coordination of procurement and use.                                                                |
| 16-19-4.  | Who may make anatomical gift before donor's death.                                  | 16-19-16. | Prohibited acts; sale or purchase of parts prohibited.                                              |
| 16-19-5.  | Manner of making anatomical gift before donor's death.                              | 16-19-17. | Immunity.                                                                                           |
| 16-19-6.  | Amending or revoking anatomical gift before donor's death.                          | 16-19-18. | Law governing validity; choice of law as to execution of document of gift; presumption of validity. |
| 16-19-7.  | Refusal to make anatomical gift; effect of refusal.                                 | 16-19-19. | Donor registry.                                                                                     |
| 16-19-8.  | Preclusive effect of anatomical gift, amendment, or revocation.                     | 16-19-20. | Effect of anatomical gift on advance health-care directive.                                         |
| 16-19-9.  | Who may make anatomical gift of decedent's body or part.                            | 16-19-21. | Cooperation between medical examiner and procurement organization.                                  |
| 16-19-10. | Manner of making, amending, or revoking anatomical gift of decedent's body or part. | 16-19-22. | Facilitation of anatomical gift from decedent whose body is under jurisdiction of medical examiner. |
| 16-19-11. | Persons who may receive anatomical gift; purpose of anatomical gift.                | 16-19-23. | Relation to Electronic Signatures in Global and National Commerce Act.                              |
| 16-19-12. | Search and notification.                                                            |           |                                                                                                     |

Acts 2008, c. 191, replaced the Anatomical Gift Act (§§ 16-9-1 to 16-9-14) with the Revised Anatomical Gift Act (§§ 16-9-1 to 16-9-23).

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

## Sources & Uses

Dated 08/21/2009 | Delivered 08/21/2009

### SOURCES OF FUNDS

|                               |                |
|-------------------------------|----------------|
| Par Amount of Bonds           | \$2,175,000.00 |
| Original Issue Discount (OID) | (50,685.50)    |

**TOTAL SOURCES** **\$2,124,314.50**

### USES OF FUNDS

|                                             |              |
|---------------------------------------------|--------------|
| Deposit to Project Construction Fund        | 1,649,582.00 |
| Deposit to Capitalized Interest (CIF) Fund  | 252,737.15   |
| Deposit to Debt Service Reserve Fund (DSRF) | 161,762.50   |
| Total Underwriter's Discount (1.750%)       | 38,062.50    |
| Costs of Issuance                           | 20,000.00    |
| Rounding Amount                             | 2,170.35     |

**TOTAL USES** **\$2,124,314.50**

Costs of Issuance does not include bond counsel of \$30,000 which is paid from the project fund.

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

## Net Debt Service Schedule

| Date         | Principal             | Coupon   | Interest              | Total P+I             | DSR                 | CIF                 | Net New D/S           |
|--------------|-----------------------|----------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
| 09/01/2009   | -                     | -        | -                     | -                     | -                   | -                   | -                     |
| 09/01/2010   | -                     | -        | 128,099.65            | 128,099.65            | -                   | (128,099.65)        | -                     |
| 09/01/2011   | -                     | -        | 124,637.50            | 124,637.50            | -                   | (124,637.50)        | -                     |
| 09/01/2012   | 35,000.00             | 5.250%   | 124,637.50            | 159,637.50            | -                   | -                   | 159,637.50            |
| 09/01/2013   | 35,000.00             | 5.250%   | 122,800.00            | 157,800.00            | -                   | -                   | 157,800.00            |
| 09/01/2014   | 40,000.00             | 5.250%   | 120,962.50            | 160,962.50            | -                   | -                   | 160,962.50            |
| 09/01/2015   | 40,000.00             | 5.250%   | 118,862.50            | 158,862.50            | -                   | -                   | 158,862.50            |
| 09/01/2016   | 45,000.00             | 5.250%   | 116,762.50            | 161,762.50            | -                   | -                   | 161,762.50            |
| 09/01/2017   | 45,000.00             | 5.250%   | 114,400.00            | 159,400.00            | -                   | -                   | 159,400.00            |
| 09/01/2018   | 45,000.00             | 5.250%   | 112,037.50            | 157,037.50            | -                   | -                   | 157,037.50            |
| 09/01/2019   | 50,000.00             | 5.250%   | 109,675.00            | 159,675.00            | -                   | -                   | 159,675.00            |
| 09/01/2020   | 50,000.00             | 5.500%   | 107,050.00            | 157,050.00            | -                   | -                   | 157,050.00            |
| 09/01/2021   | 55,000.00             | 5.500%   | 104,300.00            | 159,300.00            | -                   | -                   | 159,300.00            |
| 09/01/2022   | 60,000.00             | 5.500%   | 101,275.00            | 161,275.00            | -                   | -                   | 161,275.00            |
| 09/01/2023   | 60,000.00             | 5.500%   | 97,975.00             | 157,975.00            | -                   | -                   | 157,975.00            |
| 09/01/2024   | 65,000.00             | 5.500%   | 94,675.00             | 159,675.00            | -                   | -                   | 159,675.00            |
| 09/01/2025   | 70,000.00             | 5.500%   | 91,100.00             | 161,100.00            | -                   | -                   | 161,100.00            |
| 09/01/2026   | 70,000.00             | 5.500%   | 87,250.00             | 157,250.00            | -                   | -                   | 157,250.00            |
| 09/01/2027   | 75,000.00             | 5.500%   | 83,400.00             | 158,400.00            | -                   | -                   | 158,400.00            |
| 09/01/2028   | 80,000.00             | 5.500%   | 79,275.00             | 159,275.00            | -                   | -                   | 159,275.00            |
| 09/01/2029   | 85,000.00             | 5.500%   | 74,875.00             | 159,875.00            | -                   | -                   | 159,875.00            |
| 09/01/2030   | 90,000.00             | 6.000%   | 70,200.00             | 160,200.00            | -                   | -                   | 160,200.00            |
| 09/01/2031   | 95,000.00             | 6.000%   | 64,800.00             | 159,800.00            | -                   | -                   | 159,800.00            |
| 09/01/2032   | 100,000.00            | 6.000%   | 59,100.00             | 159,100.00            | -                   | -                   | 159,100.00            |
| 09/01/2033   | 105,000.00            | 6.000%   | 53,100.00             | 158,100.00            | -                   | -                   | 158,100.00            |
| 09/01/2034   | 110,000.00            | 6.000%   | 46,800.00             | 156,800.00            | -                   | -                   | 156,800.00            |
| 09/01/2035   | 120,000.00            | 6.000%   | 40,200.00             | 160,200.00            | -                   | -                   | 160,200.00            |
| 09/01/2036   | 125,000.00            | 6.000%   | 33,000.00             | 158,000.00            | -                   | -                   | 158,000.00            |
| 09/01/2037   | 135,000.00            | 6.000%   | 25,500.00             | 160,500.00            | -                   | -                   | 160,500.00            |
| 09/01/2038   | 140,000.00            | 6.000%   | 17,400.00             | 157,400.00            | -                   | -                   | 157,400.00            |
| 09/01/2039   | 150,000.00            | 6.000%   | 9,000.00              | 159,000.00            | (161,762.50)        | -                   | (2,762.50)            |
| <b>Total</b> | <b>\$2,175,000.00</b> | <b>-</b> | <b>\$2,533,149.65</b> | <b>\$4,708,149.65</b> | <b>(161,762.50)</b> | <b>(252,737.15)</b> | <b>\$4,293,650.00</b> |

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

**Net Debt Service Schedule**

| Date         | Principal             | Coupon   | Interest              | Total P+I             | DSR                 | CIF                 | Net New D/S           | Fiscal Total |
|--------------|-----------------------|----------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|--------------|
| 08/21/2009   | -                     | -        | -                     | -                     | -                   | -                   | -                     | -            |
| 03/01/2010   | -                     | -        | 65,780.90             | 65,780.90             | -                   | (65,780.90)         | -                     | -            |
| 09/01/2010   | -                     | -        | 62,318.75             | 62,318.75             | -                   | (62,318.75)         | -                     | -            |
| 03/01/2011   | -                     | -        | 62,318.75             | 62,318.75             | -                   | (62,318.75)         | -                     | -            |
| 09/01/2011   | -                     | -        | 62,318.75             | 62,318.75             | -                   | (62,318.75)         | -                     | -            |
| 03/01/2012   | -                     | -        | 62,318.75             | 62,318.75             | -                   | -                   | 62,318.75             | -            |
| 09/01/2012   | 35,000.00             | 5.250%   | 62,318.75             | 97,318.75             | -                   | -                   | 97,318.75             | 159,637.50   |
| 03/01/2013   | -                     | -        | 61,400.00             | 61,400.00             | -                   | -                   | 61,400.00             | -            |
| 09/01/2013   | 35,000.00             | 5.250%   | 61,400.00             | 96,400.00             | -                   | -                   | 96,400.00             | 157,800.00   |
| 03/01/2014   | -                     | -        | 60,481.25             | 60,481.25             | -                   | -                   | 60,481.25             | -            |
| 09/01/2014   | 40,000.00             | 5.250%   | 60,481.25             | 100,481.25            | -                   | -                   | 100,481.25            | 160,962.50   |
| 03/01/2015   | -                     | -        | 59,431.25             | 59,431.25             | -                   | -                   | 59,431.25             | -            |
| 09/01/2015   | 40,000.00             | 5.250%   | 59,431.25             | 99,431.25             | -                   | -                   | 99,431.25             | 158,862.50   |
| 03/01/2016   | -                     | -        | 58,381.25             | 58,381.25             | -                   | -                   | 58,381.25             | -            |
| 09/01/2016   | 45,000.00             | 5.250%   | 58,381.25             | 103,381.25            | -                   | -                   | 103,381.25            | 161,762.50   |
| 03/01/2017   | -                     | -        | 57,200.00             | 57,200.00             | -                   | -                   | 57,200.00             | -            |
| 09/01/2017   | 45,000.00             | 5.250%   | 57,200.00             | 102,200.00            | -                   | -                   | 102,200.00            | 159,400.00   |
| 03/01/2018   | -                     | -        | 56,018.75             | 56,018.75             | -                   | -                   | 56,018.75             | -            |
| 09/01/2018   | 45,000.00             | 5.250%   | 56,018.75             | 101,018.75            | -                   | -                   | 101,018.75            | 157,037.50   |
| 03/01/2019   | -                     | -        | 54,837.50             | 54,837.50             | -                   | -                   | 54,837.50             | -            |
| 09/01/2019   | 50,000.00             | 5.250%   | 54,837.50             | 104,837.50            | -                   | -                   | 104,837.50            | 159,675.00   |
| 03/01/2020   | -                     | -        | 53,525.00             | 53,525.00             | -                   | -                   | 53,525.00             | -            |
| 09/01/2020   | 50,000.00             | 5.500%   | 53,525.00             | 103,525.00            | -                   | -                   | 103,525.00            | 157,050.00   |
| 03/01/2021   | -                     | -        | 52,150.00             | 52,150.00             | -                   | -                   | 52,150.00             | -            |
| 09/01/2021   | 55,000.00             | 5.500%   | 52,150.00             | 107,150.00            | -                   | -                   | 107,150.00            | 159,300.00   |
| 03/01/2022   | -                     | -        | 50,637.50             | 50,637.50             | -                   | -                   | 50,637.50             | -            |
| 09/01/2022   | 60,000.00             | 5.500%   | 50,637.50             | 110,637.50            | -                   | -                   | 110,637.50            | 161,275.00   |
| 03/01/2023   | -                     | -        | 48,987.50             | 48,987.50             | -                   | -                   | 48,987.50             | -            |
| 09/01/2023   | 60,000.00             | 5.500%   | 48,987.50             | 108,987.50            | -                   | -                   | 108,987.50            | 157,975.00   |
| 03/01/2024   | -                     | -        | 47,337.50             | 47,337.50             | -                   | -                   | 47,337.50             | -            |
| 09/01/2024   | 65,000.00             | 5.500%   | 47,337.50             | 112,337.50            | -                   | -                   | 112,337.50            | 159,675.00   |
| 03/01/2025   | -                     | -        | 45,550.00             | 45,550.00             | -                   | -                   | 45,550.00             | -            |
| 09/01/2025   | 70,000.00             | 5.500%   | 45,550.00             | 115,550.00            | -                   | -                   | 115,550.00            | 161,100.00   |
| 03/01/2026   | -                     | -        | 43,625.00             | 43,625.00             | -                   | -                   | 43,625.00             | -            |
| 09/01/2026   | 70,000.00             | 5.500%   | 43,625.00             | 113,625.00            | -                   | -                   | 113,625.00            | 157,250.00   |
| 03/01/2027   | -                     | -        | 41,700.00             | 41,700.00             | -                   | -                   | 41,700.00             | -            |
| 09/01/2027   | 75,000.00             | 5.500%   | 41,700.00             | 116,700.00            | -                   | -                   | 116,700.00            | 158,400.00   |
| 03/01/2028   | -                     | -        | 39,637.50             | 39,637.50             | -                   | -                   | 39,637.50             | -            |
| 09/01/2028   | 80,000.00             | 5.500%   | 39,637.50             | 119,637.50            | -                   | -                   | 119,637.50            | 159,275.00   |
| 03/01/2029   | -                     | -        | 37,437.50             | 37,437.50             | -                   | -                   | 37,437.50             | -            |
| 09/01/2029   | 85,000.00             | 5.500%   | 37,437.50             | 122,437.50            | -                   | -                   | 122,437.50            | 159,875.00   |
| 03/01/2030   | -                     | -        | 35,100.00             | 35,100.00             | -                   | -                   | 35,100.00             | -            |
| 09/01/2030   | 90,000.00             | 6.000%   | 35,100.00             | 125,100.00            | -                   | -                   | 125,100.00            | 160,200.00   |
| 03/01/2031   | -                     | -        | 32,400.00             | 32,400.00             | -                   | -                   | 32,400.00             | -            |
| 09/01/2031   | 95,000.00             | 6.000%   | 32,400.00             | 127,400.00            | -                   | -                   | 127,400.00            | 159,800.00   |
| 03/01/2032   | -                     | -        | 29,550.00             | 29,550.00             | -                   | -                   | 29,550.00             | -            |
| 09/01/2032   | 100,000.00            | 6.000%   | 29,550.00             | 129,550.00            | -                   | -                   | 129,550.00            | 159,100.00   |
| 03/01/2033   | -                     | -        | 26,550.00             | 26,550.00             | -                   | -                   | 26,550.00             | -            |
| 09/01/2033   | 105,000.00            | 6.000%   | 26,550.00             | 131,550.00            | -                   | -                   | 131,550.00            | 158,100.00   |
| 03/01/2034   | -                     | -        | 23,400.00             | 23,400.00             | -                   | -                   | 23,400.00             | -            |
| 09/01/2034   | 110,000.00            | 6.000%   | 23,400.00             | 133,400.00            | -                   | -                   | 133,400.00            | 156,800.00   |
| 03/01/2035   | -                     | -        | 20,100.00             | 20,100.00             | -                   | -                   | 20,100.00             | -            |
| 09/01/2035   | 120,000.00            | 6.000%   | 20,100.00             | 140,100.00            | -                   | -                   | 140,100.00            | 160,200.00   |
| 03/01/2036   | -                     | -        | 16,500.00             | 16,500.00             | -                   | -                   | 16,500.00             | -            |
| 09/01/2036   | 125,000.00            | 6.000%   | 16,500.00             | 141,500.00            | -                   | -                   | 141,500.00            | 158,000.00   |
| 03/01/2037   | -                     | -        | 12,750.00             | 12,750.00             | -                   | -                   | 12,750.00             | -            |
| 09/01/2037   | 135,000.00            | 6.000%   | 12,750.00             | 147,750.00            | -                   | -                   | 147,750.00            | 160,500.00   |
| 03/01/2038   | -                     | -        | 8,700.00              | 8,700.00              | -                   | -                   | 8,700.00              | -            |
| 09/01/2038   | 140,000.00            | 6.000%   | 8,700.00              | 148,700.00            | -                   | -                   | 148,700.00            | 157,400.00   |
| 03/01/2039   | -                     | -        | 4,500.00              | 4,500.00              | -                   | -                   | 4,500.00              | -            |
| 09/01/2039   | 150,000.00            | 6.000%   | 4,500.00              | 154,500.00            | (161,762.50)        | -                   | (7,262.50)            | (2,762.50)   |
| <b>Total</b> | <b>\$2,175,000.00</b> | <b>-</b> | <b>\$2,533,149.65</b> | <b>\$4,708,149.65</b> | <b>(161,762.50)</b> | <b>(252,737.15)</b> | <b>\$4,293,650.00</b> | <b>-</b>     |

Flatwoods (Final) | SINGLE PURPOSE | 8/17/2009 | 11:04 AM

**Crews & Associates, Inc.**  
Capital Markets

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

## Pricing Summary

| Maturity   | Type of Bond  | Coupon | Yield  | Maturity Value        | Price    | Dollar Price          |
|------------|---------------|--------|--------|-----------------------|----------|-----------------------|
| 09/01/2019 | Term 1 Coupon | 5.250% | 5.250% | 335,000.00            | 100.000% | 335,000.00            |
| 09/01/2024 | Term 2 Coupon | 5.500% | 5.500% | 290,000.00            | 100.000% | 290,000.00            |
| 09/01/2029 | Term 3 Coupon | 5.500% | 5.750% | 380,000.00            | 97.047%  | 368,778.60            |
| 09/01/2039 | Term 4 Coupon | 6.000% | 6.250% | 1,170,000.00          | 96.627%  | 1,130,535.90          |
| Total      | -             | -      | -      | <b>\$2,175,000.00</b> | -        | <b>\$2,124,314.50</b> |

### Bid Information

|                                       |                |
|---------------------------------------|----------------|
| Par Amount of Bonds                   | \$2,175,000.00 |
| Reoffering Premium or (Discount)      | (50,685.50)    |
| Gross Production                      | \$2,124,314.50 |
| Total Underwriter's Discount (1.750%) | \$(38,062.50)  |
| Bid (95.920%)                         | 2,086,252.00   |
| Total Purchase Price                  | \$2,086,252.00 |
| Bond Year Dollars                     | \$43,395.42    |
| Average Life                          | 19.952 Years   |
| Average Coupon                        | 5.8373668%     |
| Net Interest Cost (NIC)               | 6.0418769%     |
| True Interest Cost (TIC)              | 6.1781121%     |

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

**Proof Of Bond Yield @ 6.0137668%**

| Date       | Cashflow       | PV Factor  | Present Value  | Cumulative PV |
|------------|----------------|------------|----------------|---------------|
| 08/21/2009 | -              | 1.0000000x | -              | -             |
| 03/01/2010 | 65,780.90      | 0.9692124x | 63,755.66      | 63,755.66     |
| 09/01/2010 | 62,318.75      | 0.9409200x | 58,636.96      | 122,392.62    |
| 03/01/2011 | 62,318.75      | 0.9134535x | 56,925.28      | 179,317.91    |
| 09/01/2011 | 62,318.75      | 0.8867888x | 55,263.57      | 234,581.48    |
| 03/01/2012 | 62,318.75      | 0.8609025x | 53,650.37      | 288,231.85    |
| 09/01/2012 | 97,318.75      | 0.8357718x | 81,336.27      | 369,568.12    |
| 03/01/2013 | 61,400.00      | 0.8113747x | 49,818.41      | 419,386.52    |
| 09/01/2013 | 96,400.00      | 0.7876898x | 75,933.30      | 495,319.82    |
| 03/01/2014 | 60,481.25      | 0.7646963x | 46,249.79      | 541,569.61    |
| 09/01/2014 | 100,481.25     | 0.7423740x | 74,594.66      | 616,164.28    |
| 03/01/2015 | 59,431.25      | 0.7207033x | 42,832.30      | 658,996.57    |
| 09/01/2015 | 99,431.25      | 0.6996651x | 69,568.58      | 728,565.15    |
| 03/01/2016 | 58,381.25      | 0.6792412x | 39,654.95      | 768,220.10    |
| 09/01/2016 | 103,381.25     | 0.6594134x | 68,170.98      | 836,391.08    |
| 03/01/2017 | 57,200.00      | 0.6401644x | 36,617.40      | 873,008.48    |
| 09/01/2017 | 102,200.00     | 0.6214773x | 63,514.98      | 936,523.46    |
| 03/01/2018 | 56,018.75      | 0.6033357x | 33,798.11      | 970,321.57    |
| 09/01/2018 | 101,018.75     | 0.5857236x | 59,169.07      | 1,029,490.64  |
| 03/01/2019 | 54,837.50      | 0.5686257x | 31,182.01      | 1,060,672.65  |
| 09/01/2019 | 104,837.50     | 0.5520269x | 57,873.12      | 1,118,545.77  |
| 03/01/2020 | 53,525.00      | 0.5359127x | 28,684.73      | 1,147,230.50  |
| 09/01/2020 | 103,525.00     | 0.5202688x | 53,860.83      | 1,201,091.33  |
| 03/01/2021 | 52,150.00      | 0.5050816x | 26,340.00      | 1,227,431.33  |
| 09/01/2021 | 107,150.00     | 0.4903377x | 52,539.68      | 1,279,971.01  |
| 03/01/2022 | 50,637.50      | 0.4760242x | 24,104.68      | 1,304,075.69  |
| 09/01/2022 | 110,637.50     | 0.4621285x | 51,128.75      | 1,355,204.43  |
| 03/01/2023 | 48,987.50      | 0.4486385x | 21,977.68      | 1,377,182.11  |
| 09/01/2023 | 108,987.50     | 0.4355422x | 47,468.66      | 1,424,650.77  |
| 03/01/2024 | 47,337.50      | 0.4228283x | 20,015.63      | 1,444,666.41  |
| 09/01/2024 | 112,337.50     | 0.4104855x | 46,112.91      | 1,490,779.32  |
| 03/01/2025 | 45,550.00      | 0.3985030x | 18,151.81      | 1,508,931.13  |
| 09/01/2025 | 115,550.00     | 0.3868702x | 44,702.85      | 1,553,633.98  |
| 03/01/2026 | 43,625.00      | 0.3755771x | 16,384.55      | 1,570,018.53  |
| 09/01/2026 | 113,625.00     | 0.3646135x | 41,429.21      | 1,611,447.74  |
| 03/01/2027 | 41,700.00      | 0.3539701x | 14,760.55      | 1,626,208.30  |
| 09/01/2027 | 116,700.00     | 0.3436373x | 40,102.47      | 1,666,310.77  |
| 03/01/2028 | 39,637.50      | 0.3336062x | 13,223.31      | 1,679,534.08  |
| 09/01/2028 | 119,637.50     | 0.3238678x | 38,746.74      | 1,718,280.82  |
| 03/01/2029 | 37,437.50      | 0.3144138x | 11,770.87      | 1,730,051.69  |
| 09/01/2029 | 122,437.50     | 0.3052357x | 37,372.30      | 1,767,423.98  |
| 03/01/2030 | 35,100.00      | 0.2963255x | 10,401.03      | 1,777,825.01  |
| 09/01/2030 | 125,100.00     | 0.2876755x | 35,988.20      | 1,813,813.21  |
| 03/01/2031 | 32,400.00      | 0.2792779x | 9,048.60       | 1,822,861.81  |
| 09/01/2031 | 127,400.00     | 0.2711255x | 34,541.39      | 1,857,403.20  |
| 03/01/2032 | 29,550.00      | 0.2632110x | 7,777.89       | 1,865,181.09  |
| 09/01/2032 | 129,550.00     | 0.2555276x | 33,103.60      | 1,898,284.69  |
| 03/01/2033 | 26,550.00      | 0.2480685x | 6,586.22       | 1,904,870.91  |
| 09/01/2033 | 131,550.00     | 0.2408271x | 31,680.80      | 1,936,551.71  |
| 03/01/2034 | 23,400.00      | 0.2337971x | 5,470.85       | 1,942,022.56  |
| 09/01/2034 | 133,400.00     | 0.2269723x | 30,278.10      | 1,972,300.66  |
| 03/01/2035 | 20,100.00      | 0.2203467x | 4,428.97       | 1,976,729.63  |
| 09/01/2035 | 140,100.00     | 0.2139146x | 29,969.43      | 2,006,699.06  |
| 03/01/2036 | 16,500.00      | 0.2076702x | 3,426.56       | 2,010,125.62  |
| 09/01/2036 | 141,500.00     | 0.2016080x | 28,527.54      | 2,038,653.16  |
| 03/01/2037 | 12,750.00      | 0.1957229x | 2,495.47       | 2,041,148.63  |
| 09/01/2037 | 147,750.00     | 0.1900095x | 28,073.91      | 2,069,222.53  |
| 03/01/2038 | 8,700.00       | 0.1844629x | 1,604.83       | 2,070,827.36  |
| 09/01/2038 | 148,700.00     | 0.1790783x | 26,628.94      | 2,097,456.30  |
| 03/01/2039 | 4,500.00       | 0.1738508x | 782.33         | 2,098,238.63  |
| 09/01/2039 | 154,500.00     | 0.1687759x | 26,075.87      | 2,124,314.50  |
| Total      | \$4,708,149.65 | -          | \$2,124,314.50 | -             |

**Derivation Of Target Amount**

|                                  |                |
|----------------------------------|----------------|
| Par Amount of Bonds              | \$2,175,000.00 |
| Reoffering Premium or (Discount) | (50,685.50)    |
| Original Issue Proceeds          | \$2,124,314.50 |

Flatwoods (Final) | SINGLE PURPOSE | 8/17/2009 | 11:04 AM

**Crews & Associates, Inc.**  
Capital Markets

Final

**\$2,175,000**

Flatwoods - Canoe Run PSD

Water Revenue Bonds

Series 2009

## Derivation Of Form 8038 Yield Statistics

| Maturity     | Issuance Value        | Price    | Issuance PRICE        | Exponent    | Bond Years             |
|--------------|-----------------------|----------|-----------------------|-------------|------------------------|
| 08/21/2009   | -                     | -        | -                     | -           | -                      |
| 09/01/2012   | 35,000.00             | 100.000% | 35,000.00             | 3.0277778x  | 105,972.22             |
| 09/01/2013   | 35,000.00             | 100.000% | 35,000.00             | 4.0277778x  | 140,972.22             |
| 09/01/2014   | 40,000.00             | 100.000% | 40,000.00             | 5.0277778x  | 201,111.11             |
| 09/01/2015   | 40,000.00             | 100.000% | 40,000.00             | 6.0277778x  | 241,111.11             |
| 09/01/2016   | 45,000.00             | 100.000% | 45,000.00             | 7.0277778x  | 316,250.00             |
| 09/01/2017   | 45,000.00             | 100.000% | 45,000.00             | 8.0277778x  | 361,250.00             |
| 09/01/2018   | 45,000.00             | 100.000% | 45,000.00             | 9.0277778x  | 406,250.00             |
| 09/01/2019   | 50,000.00             | 100.000% | 50,000.00             | 10.0277778x | 501,388.89             |
| 09/01/2020   | 50,000.00             | 100.000% | 50,000.00             | 11.0277778x | 551,388.89             |
| 09/01/2021   | 55,000.00             | 100.000% | 55,000.00             | 12.0277778x | 661,527.78             |
| 09/01/2022   | 60,000.00             | 100.000% | 60,000.00             | 13.0277778x | 781,666.67             |
| 09/01/2023   | 60,000.00             | 100.000% | 60,000.00             | 14.0277778x | 841,666.67             |
| 09/01/2024   | 65,000.00             | 100.000% | 65,000.00             | 15.0277778x | 976,805.56             |
| 09/01/2025   | 70,000.00             | 97.047%  | 67,932.90             | 16.0277778x | 1,088,813.43           |
| 09/01/2026   | 70,000.00             | 97.047%  | 67,932.90             | 17.0277778x | 1,156,746.33           |
| 09/01/2027   | 75,000.00             | 97.047%  | 72,785.25             | 18.0277778x | 1,312,156.31           |
| 09/01/2028   | 80,000.00             | 97.047%  | 77,637.60             | 19.0277778x | 1,477,271.00           |
| 09/01/2029   | 85,000.00             | 97.047%  | 82,489.95             | 20.0277778x | 1,652,090.39           |
| 09/01/2030   | 90,000.00             | 96.627%  | 86,964.30             | 21.0277778x | 1,828,665.98           |
| 09/01/2031   | 95,000.00             | 96.627%  | 91,795.65             | 22.0277778x | 2,022,054.18           |
| 09/01/2032   | 100,000.00            | 96.627%  | 96,627.00             | 23.0277778x | 2,225,105.08           |
| 09/01/2033   | 105,000.00            | 96.627%  | 101,458.35            | 24.0277778x | 2,437,818.69           |
| 09/01/2034   | 110,000.00            | 96.627%  | 106,289.70            | 25.0277778x | 2,660,194.99           |
| 09/01/2035   | 120,000.00            | 96.627%  | 115,952.40            | 26.0277778x | 3,017,983.30           |
| 09/01/2036   | 125,000.00            | 96.627%  | 120,783.75            | 27.0277778x | 3,264,516.35           |
| 09/01/2037   | 135,000.00            | 96.627%  | 130,446.45            | 28.0277778x | 3,656,124.11           |
| 09/01/2038   | 140,000.00            | 96.627%  | 135,277.80            | 29.0277778x | 3,926,813.92           |
| 09/01/2039   | 150,000.00            | 96.627%  | 144,940.50            | 30.0277778x | 4,352,241.13           |
| <b>Total</b> | <b>\$2,175,000.00</b> | <b>-</b> | <b>\$2,124,314.50</b> | <b>-</b>    | <b>\$42,165,956.29</b> |

### IRS Form 8038

|                                                    |              |
|----------------------------------------------------|--------------|
| Weighted Average Maturity = Bond Years/Issue Price | 19.849 Years |
| Total Interest from Debt Service                   | 2,533,149.65 |
| Reoffering (Premium) or Discount                   | 50,685.50    |
| Total Interest                                     | 2,583,835.15 |
| NIC = Interest / (Issue Price * Average Maturity)  | 6.1277755%   |
| Bond Yield for Arbitrage Purposes                  | 6.0137668%   |

Flatwoods (Final) | SINGLE PURPOSE | 8/17/2009 | 11:04 AM

**Crews & Associates, Inc.**  
Capital Markets

**SCHEDULE B**  
**FLATWOODS CANOE RUN PSD**  
**WATER PLANT PROJECT**

| <b>A. EDA Project</b>            |                                                  | <b>TOTAL</b>    | <b>USEDA</b>    | <b>WEYERHAEUSER</b> | <b>PUBLIC BOND</b> |
|----------------------------------|--------------------------------------------------|-----------------|-----------------|---------------------|--------------------|
| 1.                               | Construction                                     | \$ 3,980,000.00 | \$ 2,334,500.00 | \$ 459,050.00       | \$ 1,186,450.00    |
|                                  | Deducts                                          | \$ -            | \$ -            | \$ -                | \$ -               |
|                                  | Wage Rate Increase                               | \$ 67,082.00    | \$ -            | \$ 50,000.00        | \$ 17,082.00       |
|                                  | Construction Contingency                         | \$ 203,000.00   | \$ -            | \$ -                | \$ 203,000.00      |
|                                  | Construction Subtotal                            | \$ 4,250,082.00 | \$ 2,334,500.00 | \$ 509,050.00       | \$ 1,406,532.00    |
| 2.                               | Architectural and Engineering                    |                 |                 |                     |                    |
| a.                               | Engineering                                      | \$ 205,000.00   | \$ 115,825.00   | \$ 84,175.00        | \$ 5,000.00        |
| b.                               | Inspection                                       | \$ 160,000.00   | \$ 90,400.00    | \$ 69,600.00        | \$ -               |
| c.                               | Other Services                                   | \$ 40,000.00    | \$ 16,950.00    | \$ -                | \$ 23,050.00       |
|                                  | Engineering Subtotal                             | \$ 405,000.00   | \$ 223,175.00   | \$ 153,775.00       | \$ 28,050.00       |
| 3.                               | Administrative and Legal                         |                 |                 |                     |                    |
| a.                               | Legal--Hanna                                     | \$ 30,000.00    | \$ 15,000.00    | \$ 15,000.00        | \$ -               |
| b.                               | Accounting--SCH                                  | \$ 30,000.00    | \$ -            | \$ 20,000.00        | \$ 10,000.00       |
| c.                               | Administrative--Region VII                       | \$ 120,000.00   | \$ 120,000.00   | \$ -                | \$ -               |
|                                  | Administrative and Legal Subtotal                | \$ 180,000.00   | \$ 135,000.00   | \$ 35,000.00        | \$ 10,000.00       |
| 4.                               | Contingencies                                    |                 |                 |                     |                    |
| a.                               | Permits                                          | \$ 5,000.00     | \$ 2,825.00     | \$ 2,175.00         | \$ -               |
| b.                               | Project Contingency                              | \$ 100,000.00   | \$ -            | \$ -                | \$ 100,000.00      |
|                                  | Contingencies Subtotal                           | \$ 105,000.00   | \$ 2,825.00     | \$ 2,175.00         | \$ 100,000.00      |
| 5.                               | EDA Project Subtotal                             | \$ 4,940,082.00 | \$ 2,695,500.00 | \$ 700,000.00       | \$ 1,544,582.00    |
| <b>B. Office Building</b>        |                                                  |                 |                 |                     |                    |
| 6.                               | Office Building Subtotal                         | \$ 75,000.00    | \$ -            | \$ -                | \$ 75,000.00       |
| 7.                               | Section A plus Section B Subtotal                | \$ 5,015,082.00 | \$ 2,695,500.00 | \$ 700,000.00       | \$ 1,619,582.00    |
| <b>C. COST OF FINANCING</b>      |                                                  |                 |                 |                     |                    |
| 8.                               | Funded Reserve (estimate)                        | \$ -            | \$ -            | \$ -                | \$ -               |
| 9.                               | Capitalized Interest (estimate)                  | \$ -            | \$ -            | \$ -                | \$ -               |
| 10.                              | Bond Insurance                                   | \$ -            | \$ -            | \$ -                | \$ -               |
| 11.                              | Underwriters Fees and Counsel (estimate)         | \$ -            | \$ -            | \$ -                | \$ -               |
| 12.                              | Registrar Fees                                   | \$ -            | \$ -            | \$ -                | \$ -               |
| 13.                              | Bond Counsel (S & J)                             | \$ 30,000.00    | \$ -            | \$ -                | \$ 30,000.00       |
| 14.                              | Subtotal Financing Costs                         | \$ 30,000.00    | \$ -            | \$ -                | \$ 30,000.00       |
| 15.                              | TOTAL PROJECT COST line 7 plus line 14           | \$ 5,045,082.00 | \$ 2,695,500.00 | \$ 700,000.00       | \$ 1,649,582.00    |
| <b>D. SOURCES OF OTHER FUNDS</b> |                                                  |                 |                 |                     |                    |
| 16.                              | Federal Grant (EDA)                              | \$ 2,695,500.00 | \$ 2,695,500.00 | \$ -                | \$ -               |
| 17.                              | State Grant                                      | \$ -            | \$ -            | \$ -                | \$ -               |
| 18.                              | Other                                            | \$ 700,000.00   | \$ -            | \$ 700,000.00       | \$ -               |
| 19.                              | TOTAL GRANTS Lines 16 through 18                 | \$ 3,395,500.00 | \$ 2,695,500.00 | \$ 700,000.00       | \$ -               |
| 20.                              | Proceeds to deposit in Project Fund(line 15 min) | \$ 1,649,582.00 | \$ -            | \$ -                | \$ 1,649,582.00    |

  
 Flatwoods Canoe Run PSD

\_\_\_\_\_ Date

\_\_\_\_\_ H. K. Bell Engineering

\_\_\_\_\_ Date

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**

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

**BOND RESOLUTION**

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FORM OF SERIES 2007 A BOND

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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 approximately 130 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

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

(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



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;

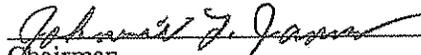
(c) The public service properties to be acquired or constructed and the cost of the same;

(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.

  
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

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 of ONE 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.

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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.

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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]

*Johnnie D. Gamm*  
Chairman

ATTEST:

*Edna D. Gamm*  
Secretary

SPECIMEN

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

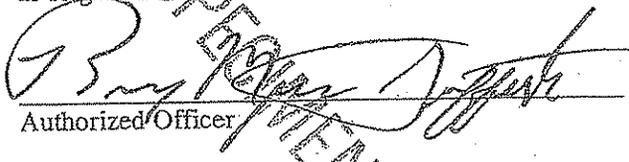
  
Authorized Officer



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

Part 1 of 4

| 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

Part 2 of 4

| 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

Part 3 of 4

| 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

Part 4 of 4

| 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              |
| <b>Total</b> | <b>\$1,014,000.00</b> | <b>-</b> | <b>\$1,014,000.00</b> |

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:

\_\_\_\_\_

**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**

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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;

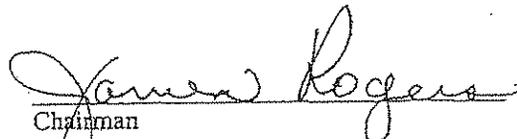
(c) The public service properties to be acquired or constructed and the cost of the same;

(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.

  
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]

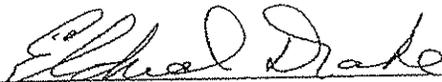
  
Secretary

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.

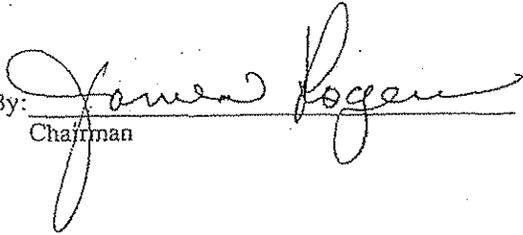
G. All remittances made by the Issuer to the Commission or the Depository Bank shall clearly identify the fund or account into which amount is to be deposited.

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

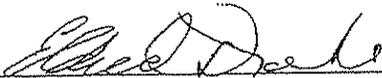
By:   
Chairman

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

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-1

\$84,180  
SPECIMEN

KNOW ALL MEN BY THESE PRESENTS: That on the 8th day of December, 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 EIGHTY FOUR THOUSAND ONE HUNDRED EIGHTY DOLLARS (\$84,180), in annual installments on October 1 of each year, commencing October 1, 2006, 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 April 1, 2006, 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 November 17, 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 November 16, 2005, and a Supplemental Resolution duly adopted by the Issuer on November 16, 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 NOVEMBER 17, 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.

[Remainder of Page Intentionally Left 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]

*Jane Rogers*  
Chairman

ATTEST:

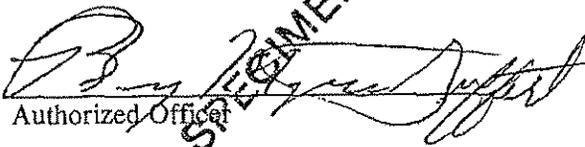
*Edna Dick*  
Secretary

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: December 8, 2005.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

  
Authorized Officer

5  
SPECIMEN

## Debt Service Schedule

| Date         | Principal          | Coupon   | Interest          | Total P+I          |
|--------------|--------------------|----------|-------------------|--------------------|
| 04/01/2006   | -                  | -        | 1,321.16          | 1,321.16           |
| 10/01/2006   | 41,446.00          | 5.000%   | 2,104.50          | 43,550.50          |
| 04/01/2007   | -                  | -        | 1,068.35          | 1,068.35           |
| 10/01/2007   | 42,734.00          | 5.000%   | 1,068.35          | 43,802.35          |
| <b>Total</b> | <b>\$84,180.00</b> | <b>-</b> | <b>\$5,562.36</b> | <b>\$89,742.36</b> |

## Yield Statistics

|                                   |             |
|-----------------------------------|-------------|
| Bond Year Dollars                 | \$111.25    |
| Average Life                      | 1.322 Years |
| Average Coupon                    | 5.0000015%  |
| Net Interest Cost (NIC)           | 5.0000015%  |
| True Interest Cost (TIC)          | 5.0056595%  |
| Bond Yield for Arbitrage Purposes | 5.0056595%  |
| All Inclusive Cost (AIC)          | 5.0056595%  |

## IRS Form 8038

|                           |             |
|---------------------------|-------------|
| Net Interest Cost         | 5.0000015%  |
| Weighted Average Maturity | 1.322 Years |

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:

\_\_\_\_\_

# SPECIMEN

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

\$5,085,825

KNOW ALL MEN BY THESE PRESENTS: That on the 8th day of December, 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 FIVE MILLION EIGHTY-FIVE THOUSAND EIGHT HUNDRED TWENTY-FIVE DOLLARS (\$5,085,825), 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, 2007, 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 November 17, 2005.

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 November 16, 2005, and a Supplemental Resolution duly adopted by the Issuer on November 16, 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 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 17, 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.

[Remainder of Page Intentionally Left 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 the date first written above.

[SEAL]

  
Chairman

ATTEST:

  
Secretary

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: December 8, 2005.

THE HUNTINGTON NATIONAL BANK,  
as Registrar

  
Authorized Officer

**REGIMEN**

EXHIBIT A  
RECORD OF ADVANCES

| AMOUNT        | DATE             | AMOUNT  | DATE |
|---------------|------------------|---------|------|
| (1) \$400,763 | December 8, 2005 | (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

| Date       | Principal | Coupon | Total P+I |
|------------|-----------|--------|-----------|
| 12/01/2005 | -         | -      | -         |
| 03/01/2006 | -         | -      | -         |
| 06/01/2006 | -         | -      | -         |
| 09/01/2006 | -         | -      | -         |
| 12/01/2006 | -         | -      | -         |
| 03/01/2007 | -         | -      | -         |
| 06/01/2007 | -         | -      | -         |
| 09/01/2007 | 33,240.69 | -      | 33,240.69 |
| 12/01/2007 | 33,240.69 | -      | 33,240.69 |
| 03/01/2008 | 33,240.69 | -      | 33,240.69 |
| 06/01/2008 | 33,240.69 | -      | 33,240.69 |
| 09/01/2008 | 33,240.69 | -      | 33,240.69 |
| 12/01/2008 | 33,240.69 | -      | 33,240.69 |
| 03/01/2009 | 33,240.69 | -      | 33,240.69 |
| 06/01/2009 | 33,240.69 | -      | 33,240.69 |
| 09/01/2009 | 33,240.69 | -      | 33,240.69 |
| 12/01/2009 | 33,240.69 | -      | 33,240.69 |
| 03/01/2010 | 33,240.69 | -      | 33,240.69 |
| 06/01/2010 | 33,240.69 | -      | 33,240.69 |
| 09/01/2010 | 33,240.69 | -      | 33,240.69 |
| 12/01/2010 | 33,240.69 | -      | 33,240.69 |
| 03/01/2011 | 33,240.69 | -      | 33,240.69 |
| 06/01/2011 | 33,240.69 | -      | 33,240.69 |
| 09/01/2011 | 33,240.69 | -      | 33,240.69 |
| 12/01/2011 | 33,240.69 | -      | 33,240.69 |
| 03/01/2012 | 33,240.69 | -      | 33,240.69 |
| 06/01/2012 | 33,240.69 | -      | 33,240.69 |
| 09/01/2012 | 33,240.69 | -      | 33,240.69 |
| 12/01/2012 | 33,240.69 | -      | 33,240.69 |
| 03/01/2013 | 33,240.69 | -      | 33,240.69 |
| 06/01/2013 | 33,240.69 | -      | 33,240.69 |
| 09/01/2013 | 33,240.69 | -      | 33,240.69 |
| 12/01/2013 | 33,240.69 | -      | 33,240.69 |
| 03/01/2014 | 33,240.69 | -      | 33,240.69 |
| 06/01/2014 | 33,240.69 | -      | 33,240.69 |
| 09/01/2014 | 33,240.69 | -      | 33,240.69 |
| 12/01/2014 | 33,240.69 | -      | 33,240.69 |
| 03/01/2015 | 33,240.69 | -      | 33,240.69 |
| 06/01/2015 | 33,240.69 | -      | 33,240.69 |
| 09/01/2015 | 33,240.69 | -      | 33,240.69 |
| 12/01/2015 | 33,240.69 | -      | 33,240.69 |
| 03/01/2016 | 33,240.69 | -      | 33,240.69 |
| 06/01/2016 | 33,240.69 | -      | 33,240.69 |
| 09/01/2016 | 33,240.69 | -      | 33,240.69 |

| Date       | Principal | Coupon | Total P+I |
|------------|-----------|--------|-----------|
| 12/01/2016 | 33,240.69 | -      | 33,240.69 |
| 03/01/2017 | 33,240.69 | -      | 33,240.69 |
| 06/01/2017 | 33,240.69 | -      | 33,240.69 |
| 09/01/2017 | 33,240.69 | -      | 33,240.69 |
| 12/01/2017 | 33,240.69 | -      | 33,240.69 |
| 03/01/2018 | 33,240.69 | -      | 33,240.69 |
| 06/01/2018 | 33,240.69 | -      | 33,240.69 |
| 09/01/2018 | 33,240.69 | -      | 33,240.69 |
| 12/01/2018 | 33,240.69 | -      | 33,240.69 |
| 03/01/2019 | 33,240.69 | -      | 33,240.69 |
| 06/01/2019 | 33,240.69 | -      | 33,240.69 |
| 09/01/2019 | 33,240.69 | -      | 33,240.69 |
| 12/01/2019 | 33,240.69 | -      | 33,240.69 |
| 03/01/2020 | 33,240.69 | -      | 33,240.69 |
| 06/01/2020 | 33,240.69 | -      | 33,240.69 |
| 09/01/2020 | 33,240.69 | -      | 33,240.69 |
| 12/01/2020 | 33,240.69 | -      | 33,240.69 |
| 03/01/2021 | 33,240.69 | -      | 33,240.69 |
| 06/01/2021 | 33,240.69 | -      | 33,240.69 |
| 09/01/2021 | 33,240.69 | -      | 33,240.69 |
| 12/01/2021 | 33,240.69 | -      | 33,240.69 |
| 03/01/2022 | 33,240.69 | -      | 33,240.69 |
| 06/01/2022 | 33,240.69 | -      | 33,240.69 |
| 09/01/2022 | 33,240.69 | -      | 33,240.69 |
| 12/01/2022 | 33,240.69 | -      | 33,240.69 |
| 03/01/2023 | 33,240.69 | -      | 33,240.69 |
| 06/01/2023 | 33,240.69 | -      | 33,240.69 |
| 09/01/2023 | 33,240.69 | -      | 33,240.69 |
| 12/01/2023 | 33,240.69 | -      | 33,240.69 |
| 03/01/2024 | 33,240.69 | -      | 33,240.69 |
| 06/01/2024 | 33,240.69 | -      | 33,240.69 |
| 09/01/2024 | 33,240.69 | -      | 33,240.69 |
| 12/01/2024 | 33,240.69 | -      | 33,240.69 |
| 03/01/2025 | 33,240.69 | -      | 33,240.69 |
| 06/01/2025 | 33,240.69 | -      | 33,240.69 |
| 09/01/2025 | 33,240.69 | -      | 33,240.69 |
| 12/01/2025 | 33,240.69 | -      | 33,240.69 |
| 03/01/2026 | 33,240.69 | -      | 33,240.69 |
| 06/01/2026 | 33,240.69 | -      | 33,240.69 |
| 09/01/2026 | 33,240.69 | -      | 33,240.69 |
| 12/01/2026 | 33,240.69 | -      | 33,240.69 |
| 03/01/2027 | 33,240.69 | -      | 33,240.69 |
| 06/01/2027 | 33,240.69 | -      | 33,240.69 |
| 09/01/2027 | 33,240.69 | -      | 33,240.69 |

| Date       | Principal | Coupon | Total P+I |
|------------|-----------|--------|-----------|
| 12/01/2027 | 33,240.69 | -      | 33,240.69 |
| 03/01/2028 | 33,240.69 | -      | 33,240.69 |
| 06/01/2028 | 33,240.69 | -      | 33,240.69 |
| 09/01/2028 | 33,240.69 | -      | 33,240.69 |
| 12/01/2028 | 33,240.69 | -      | 33,240.69 |
| 03/01/2029 | 33,240.69 | -      | 33,240.69 |
| 06/01/2029 | 33,240.69 | -      | 33,240.69 |
| 09/01/2029 | 33,240.69 | -      | 33,240.69 |
| 12/01/2029 | 33,240.69 | -      | 33,240.69 |
| 03/01/2030 | 33,240.69 | -      | 33,240.69 |
| 06/01/2030 | 33,240.69 | -      | 33,240.69 |
| 09/01/2030 | 33,240.69 | -      | 33,240.69 |
| 12/01/2030 | 33,240.69 | -      | 33,240.69 |
| 03/01/2031 | 33,240.69 | -      | 33,240.69 |
| 06/01/2031 | 33,240.69 | -      | 33,240.69 |
| 09/01/2031 | 33,240.68 | -      | 33,240.68 |
| 12/01/2031 | 33,240.68 | -      | 33,240.68 |
| 03/01/2032 | 33,240.68 | -      | 33,240.68 |
| 06/01/2032 | 33,240.68 | -      | 33,240.68 |
| 09/01/2032 | 33,240.68 | -      | 33,240.68 |
| 12/01/2032 | 33,240.68 | -      | 33,240.68 |
| 03/01/2033 | 33,240.68 | -      | 33,240.68 |
| 06/01/2033 | 33,240.68 | -      | 33,240.68 |
| 09/01/2033 | 33,240.68 | -      | 33,240.68 |
| 12/01/2033 | 33,240.68 | -      | 33,240.68 |
| 03/01/2034 | 33,240.68 | -      | 33,240.68 |
| 06/01/2034 | 33,240.68 | -      | 33,240.68 |
| 09/01/2034 | 33,240.68 | -      | 33,240.68 |
| 12/01/2034 | 33,240.68 | -      | 33,240.68 |
| 03/01/2035 | 33,240.68 | -      | 33,240.68 |
| 06/01/2035 | 33,240.68 | -      | 33,240.68 |
| 09/01/2035 | 33,240.68 | -      | 33,240.68 |
| 12/01/2035 | 33,240.68 | -      | 33,240.68 |
| 03/01/2036 | 33,240.68 | -      | 33,240.68 |
| 06/01/2036 | 33,240.68 | -      | 33,240.68 |
| 09/01/2036 | 33,240.68 | -      | 33,240.68 |
| 12/01/2036 | 33,240.68 | -      | 33,240.68 |
| 03/01/2037 | 33,240.68 | -      | 33,240.68 |
| 06/01/2037 | 33,240.68 | -      | 33,240.68 |
| 09/01/2037 | 33,240.68 | -      | 33,240.68 |
| 12/01/2037 | 33,240.68 | -      | 33,240.68 |
| 03/01/2038 | 33,240.68 | -      | 33,240.68 |
| 06/01/2038 | 33,240.68 | -      | 33,240.68 |
| 09/01/2038 | 33,240.68 | -      | 33,240.68 |

| Date         | Principal             | Coupon | Total P+I             |
|--------------|-----------------------|--------|-----------------------|
| 12/01/2038   | 33,240.68             | -      | 33,240.68             |
| 03/01/2039   | 33,240.68             | -      | 33,240.68             |
| 06/01/2039   | 33,240.68             | -      | 33,240.68             |
| 09/01/2039   | 33,240.68             | -      | 33,240.68             |
| 12/01/2039   | 33,240.68             | -      | 33,240.68             |
| 03/01/2040   | 33,240.68             | -      | 33,240.68             |
| 06/01/2040   | 33,240.68             | -      | 33,240.68             |
| 09/01/2040   | 33,240.68             | -      | 33,240.68             |
| 12/01/2040   | 33,240.68             | -      | 33,240.68             |
| 03/01/2041   | 33,240.68             | -      | 33,240.68             |
| 06/01/2041   | 33,240.68             | -      | 33,240.68             |
| 09/01/2041   | 33,240.68             | -      | 33,240.68             |
| 12/01/2041   | 33,240.68             | -      | 33,240.68             |
| 03/01/2042   | 33,240.68             | -      | 33,240.68             |
| 06/01/2042   | 33,240.68             | -      | 33,240.68             |
| 09/01/2042   | 33,240.68             | -      | 33,240.68             |
| 12/01/2042   | 33,240.68             | -      | 33,240.68             |
| 03/01/2043   | 33,240.68             | -      | 33,240.68             |
| 06/01/2043   | 33,240.68             | -      | 33,240.68             |
| 09/01/2043   | 33,240.68             | -      | 33,240.68             |
| 12/01/2043   | 33,240.68             | -      | 33,240.68             |
| 03/01/2044   | 33,240.68             | -      | 33,240.68             |
| 06/01/2044   | 33,240.68             | -      | 33,240.68             |
| 09/01/2044   | 33,240.68             | -      | 33,240.68             |
| 12/01/2044   | 33,240.68             | -      | 33,240.68             |
| 03/01/2045   | 33,240.68             | -      | 33,240.68             |
| 06/01/2045   | 33,240.68             | -      | 33,240.68             |
| 09/01/2045   | 33,240.68             | -      | 33,240.68             |
| <b>Total</b> | <b>\$5,085,825.00</b> | -      | <b>\$5,085,825.00</b> |

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:

\_\_\_\_\_

**FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT**

**WATER REVENUE BONDS,  
SERIES 1998 A AND SERIES 1998 B  
(WEST VIRGINIA INFRASTRUCTURE FUND)**

**BOND RESOLUTION**

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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE FINANCING OF CERTAIN INDEBTEDNESS AND THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC WATER SYSTEM OF THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF SUCH COSTS THROUGH THE ISSUANCE BY THE DISTRICT OF NOT TO EXCEED \$2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2001 (BLUEFIELD AREA EXTENSION PROJECT); WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FUND RESERVE ACCOUNTS FOR SUCH BONDS, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; PLEDGING NET REVENUES AS SECURITY FOR BONDS; PLACING LIMITATION ON SALE OF SYSTEM; AND 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 THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY PURCHASER, FINDINGS AND DEFINITIONS

Section 1.01. Purchaser for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "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.

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

A. The Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia and located in Braxton County.

B. The Issuer desires to finance certain indebtedness and to have improvements made to an existing Water system. Therefore, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer and surrounding areas that such financing occur and that there be improvements and additions made to the existing water and distribution system to serve the Issuer. The proposed work will consist of the installation of approximately 18,500 linear feet of

8" water line, 33,800 linear feet of 6" water line, 5,000 linear feet of 4" water line and 4,900 linear feet of 2" water line; one (1) 50 GPM duplex water booster station; one (1) 54,000 gallon water storage tank; all necessary valves, controls and appurtenances and other improvements, additions and extensions as may be required to be made to the Issuer's existing water distribution system to complete the project (the "Project"), which constitute properties for the distribution and/or transportation of potable water (the existing and proposed water facilities of the Issuer, the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$3,490,000 to acquire, construct and equip the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications are on file with the Issuer.

C. (1) The Issuer currently has outstanding three (3) revenue bond issues which were issued by resolutions duly adopted, are currently outstanding, will be on parity with the Bonds as to lien on the Net Revenues of the System and are owned by the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, and the United States of America, Department of Agriculture, Rural Utilities Services, both of which have given their consents to the issuance of the Bonds.

(2) The Issuer currently has outstanding one (1) revenue bond issue, which was issued by a resolution duly adopted and which will be repaid from a portion of the proceeds of the Bonds, owned by the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, which has given its consent to such repayment.

D. The Issuer is the beneficiary of a HUD Small Cities Block Grant in the amount of \$1,250,000, the proceeds of which, together with the Bond proceeds, will be used to acquire, construct and equip the Project.

E. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all other parity debt and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

F. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2001 (Bluefield Area Extension Project), in the aggregate principal amount not to exceed \$2,500,000 to finance the cost of the acquisition, construction and equipping of the Project.

G. The estimated costs for the acquisition, construction and equipping of the Project is \$3,490,000, a portion of which will be obtained from the sale of the Bonds, with the balance to be obtained from a grant or grants to be made available to the Issuer. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of acquiring, constructing and equipping the Project and all attendant expenses; amounts which may be deposited in the Series 2001 Bond 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 the enterprise, discount and initial fees for the services of a registrar, paying agent, depository and underwriter or other costs in connection with the sale of the Bonds and such other

expenses as may be necessary or incidental to the financing herein authorized, 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 PROJECT)

No. R-1

Date: \$2,000,000  
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:

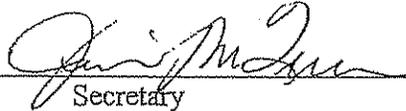
John M. [Signature]  
Secretary

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

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 unmaturing 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 than 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 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 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;

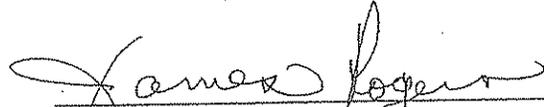
(c) The public service properties to be acquired or constructed and the cost of the same;

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

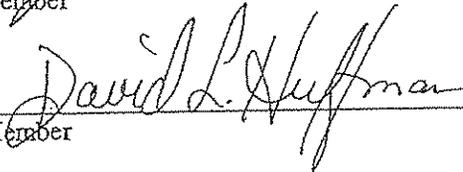
(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the Public Service Commission of West Virginia.

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

Adopted this 16th day of September, 1998.

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Member

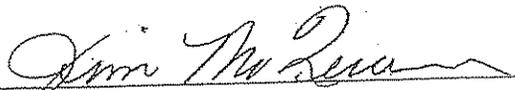
  
\_\_\_\_\_  
Member

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.

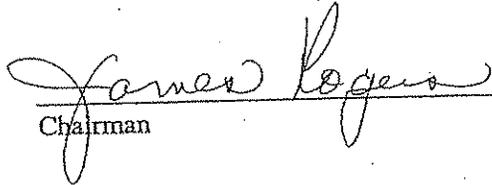
Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and 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.

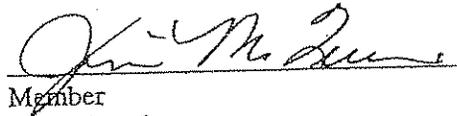
Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, 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.

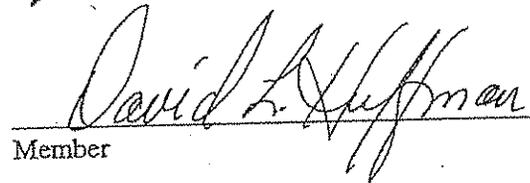
Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

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**

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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-CANOERUN 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-CANOERUN 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.

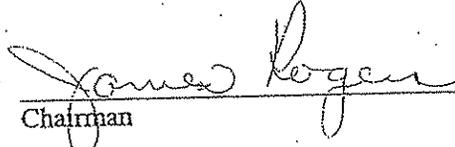
Section 7.07.      Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as

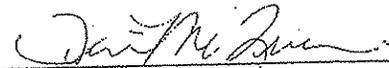
required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified 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

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Member

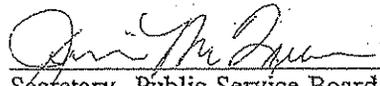
  
\_\_\_\_\_  
Member

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

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