FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

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State of West Virginia

WATER DEVELOPMENT AUTHORITY

180 Association Drive, Charleston, WV 25311-1217
(304) 558-3612 - (304) 558-0299 (Fax)
Internet: www.wvwda.org - Email: contact@wvwda.org

PRECLOSING ATTENDANCE LIST

Date June 23, 2011 Time 1:30 p.m. LGA Flatwoods Combined PSD Program CWSRF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
Carol A. Cummings	WDA	304-414-6500	304 558-0299	Ccummings@wvwda.org
Shane Lee	Jacksonkelly PLLC	304 340 1319	304 340 1272	slee@jacksonkelly.com
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John Stump	Steptoe & Johnson PLLC	304.353. 8192	304.353. 8181	john.stump@steptoe-johnson.com
Ryan White	Jakson Kelly PLLC	304-340 1283	304 340 1272	srwhite@jacksonkelly.com

The Authority requests that the following information concerning the individual who will be responsible for sending Debt Service Payments to the Municipal Bond Commission be provided. (If that individual is in attendance, he/she should also sign above.) Please Print:

Name Rodney Pritt, Gen. Manager Telephone 1.304.765.2300 E-Mail fcrpsd@yahoo.com

Address P.O. Box 627, Sutton, WV 26601

REMINDER: As a participant in this program, the Local Governmental Agency (LGA) agrees and is required to submit annually to the WDA a copy of its audited financial statements and a copy of its adopted budget. Also, pursuant to the Loan Agreement and the NonArbitrage Certificate (both of which are contained in the bond transcript) you are to provide annually to the WDA a rebate calculation certificate or an exception opinion showing whether a rebate amount is due to the US Government under arbitrage requirements in Section 148(f) of the US Internal Revenue Code, 1986, as amended.

SEWER REVENUE BONDS, SERIES 2011 A
(WEST VIRGINIA SRF PROGRAM)

BOND RESOLUTION

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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE PAYMENT OF THE SEWERAGE DESIGN BOND ANTICIPATION NOTES, SERIES 2008, THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $8,033,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2011 A (WEST VIRGINIA SRF PROGRAM); 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 BOND PURCHASE 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 22C, Article 2 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 sewerage 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 improvements and extensions to the existing public sewerage system of the Issuer, consisting of expansions of the sewage collection system including construction of a wastewater extension to the Catholic Hill and Little Buffalo Creek areas of Braxton County and all necessary appurtenances, collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewer

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 heretofore temporarily financed the design and other preliminary costs of the Project by the issuance of the Sewerage Design Bond Anticipation Notes, Series 2008, dated October 21, 2010 issued in the original aggregate principal amount of $610,954.79 (the "Prior Notes").

D. The Prior Notes were issued pursuant to a Resolution of the Issuer previously enacted for such purpose (such resolution, as amended and supplemented is herein called the "Prior Notes Resolution").

E. It is deemed necessary and desirable for the Issuer to pay the Prior Notes.

F. The Issuer intends to pay the Prior Notes and 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"), in connection with the West Virginia Water Pollution Control Revolving Fund Program (the "SRF Program"), which the Authority administers pursuant to the Act.

G. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $8,033,000 (the "Series 2011 A Bonds"), initially to be represented by a single bond, to (i) pay the Prior Notes, (ii) permanently finance a portion of the costs of acquisition and construction of the Project; and (iii) pay costs of issuance and related costs. 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 2011 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 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, including the SRF Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2011 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 2011 A Bonds or the repayment of indebtedness incurred by the Issuer for such 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 40 years.

I. It is in the best interests of the Issuer that its Series 2011 A Bonds be sold to the Authority pursuant to the terms and provisions of Bond Purchase Agreement by and among the Issuer, the Authority and the West Virginia Department of Environmental Protection (the "DEP"), in form

satisfactory to the Issuer, the Authority and the DEP, approved hereby if not previously approved by resolution of the Issuer.

J. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2011 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's: (i) Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds"); (ii) Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds"); (iii) Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991 A Bonds"); (iv) Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000 (the "Series 1994 Bonds"); and (v) Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000 (the "Series 1997 Bonds"), (hereinafter collectively, the "First Lien Bonds").

There are outstanding obligations of the Issuer which will rank junior and subordinate to the Series 2011 A Bonds as to liens, pledge of and security for payment, being the Issuer's: (i) Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds"); and (ii) Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991 B Bonds") (hereinafter collectively, the "Second Lien Bonds" and collectively with the First Lien Bonds, the "Prior Bonds").

The Series 2011 A Bonds shall be issued on a parity with the First Lien 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 2011 A Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds are met; (ii) the written consent of the Holders of the First Lien Bonds to the issuance of the Series 2011 A Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holders of the Second Lien Bonds to the issuance of the Series 2011 A Bonds senior and prior to the Second Lien Bonds. After payment of the Prior Notes, 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 all the covenants of the Prior Bonds and Prior Resolutions.

K. 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, if any, on the Series 2011 A Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

L. The Issuer has complied with all requirements of West Virginia law and the Bond Purchase Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2011 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 2011 A Bonds or such final order will not be subject to appeal or rehearing.

M. 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 2011 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 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 2011 A 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 22C, Article 2 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 2011 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 DEP 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 Purchase Agreement" means the Bond Purchase Agreement heretofore entered into, or to be entered into, by and among the Issuer, the Authority and the DEP, providing for the purchase of the Series 2011 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"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 2011 A 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 2011 A Bonds for all or a portion of the proceeds of the Series 2011 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 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"DEP" means the West Virginia Department of Environmental Protection or any other agency, board or department of the State that succeeds to the functions of the DEP.

"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.

"First Lien Bonds" means the Series 1990 A Bonds, Series 1990 C Bonds, Series 1991 A Bonds, Series 1994 Bonds and Series 1997 Bonds.

"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.

"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.

"Net Proceeds" means the face amount of the Series 2011 A 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 2011 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.

"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, the SRF Administrative Fee, 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" do 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 cancelled 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 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 2011 A Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Series 1990 A Bonds, the Series 1990 B Bonds, the Series 1990 C Bonds, the Series 1991 A Bonds, the Series 1991 B Bonds, the Series 1994 Bonds and the Series 1997 Bonds.

"Prior Notes" means the Series 2008 Notes.

"Prior Notes Resolution" means the resolution of the Issuer, as supplemented, authorizing the Prior Notes.

"Prior Resolutions" means, collectively, the Resolutions authorizing the Prior Bonds.

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

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia 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.

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2011 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 2011 A Bonds and the Prior Bonds.

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

"Second Lien Bonds" means the Series 1990 B Bonds and the Series 1991 B Bonds.

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

"Series 1990 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938.

"Series 1990 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842.

"Series 1990 C Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000.

"Series 1991 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806.

"Series 1991 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $51,842.

"Series 1994 Bonds" means the Issuer's Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000.

"Series 1997 Bonds" means the Issuer's Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000.

"Series 2008 Notes" means the Issuer's Sewerage Design Bond Anticipation Notes, Series 2008 (Branch Banking & Trust Company), dated October 21, 1010, issued in the original aggregate principal amount of $610,954.79.

"Series 2011 A Bonds" means the Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 2011 A Bonds Construction Trust Fund" means the Series 2011 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2011 A Bonds Reserve Account" means the Series 2011 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2011 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2011 A Bonds in the then current year or any succeeding year.

"Series 2011 A Bonds Sinking Fund" means the Series 2011 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2011 A Bonds and the Prior Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid under the Bond Purchase Agreement for the Series 2011 A Bonds.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"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 2011 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2011 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 Series 2011 A Bonds, the Prior 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 properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

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 AND PAYMENT OF THE PRIOR NOTES

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 $8,652,000, 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 2011 A 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, in an amount and otherwise compatible with the financing plan submitted to the Authority and the DEP.

The cost of the Project is estimated to be $8,652,000, of which approximately $8,033,000 will be obtained from proceeds of the Series 2011 A Bonds, $500,000 will be obtained from a U.S. Corps of Engineers grant, $99,000 will be obtained from a State grant, and $20,000 will be obtained from the local grant.

Section 2.02 Authorization of Payment of the Prior Notes. There is herby authorized and ordered the payment in full of the entire outstanding principal of and the interest on the Prior Notes on the Closing Date. The cost of which will be paid from the proceeds of the Series 2011 A Bonds. Upon payment in full of the Prior Notes, any funds pledged in favor of the holders of the Prior Notes imposed by the Prior Notes Resolution are hereby ordered terminated, discharged and released.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF BOND PURCHASE AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest, if any, on the Series 2011 A Bonds, funding the Reserve Account for the Series 2011 A Bonds, paying the Series 2008 Notes, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2011 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 2011 A Bonds of the Issuer. The Series 2011 A Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program)," in the principal amount of $8,033,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2011 A Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) capitalizing interest, if any, on the Series 2011 A Bonds, if any, and paying the Series 2008 Notes shall be deposited in or credited to the Series 2011 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 2011 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 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 Bond Purchase Agreement. The Series 2011 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 2011 A 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 2011 A 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 2011 A Bonds. The Series 2011 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 2011 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 2011 A Bonds shall cease to be such officer of the Issuer before the Series 2011 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 2011 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. The Bond Registrar for the Series 2011 A Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2011 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 Bond, substantially in the forms 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 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 2011 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 2011 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 2011 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 such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2011 A 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 2011 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 2011 A Bonds or transferring the registered Series 2011 A Bonds are exercised, all Series 2011 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2011 A Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Series 2011 A 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 Series 2011 A Bonds or, in the case of any proposed redemption of Series 2011 A 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 2011 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 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 2011 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 2011 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2011 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2011 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 First Lien Bonds and senior and prior to the Second Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2011 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 2011 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2011 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 2011 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 and deliver the Series 2011 A Bonds to the original purchasers;

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

D. An executed copy of the Bond Purchase Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2011 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2011 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:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2011 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2011 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: The ____ day of _____, 2011, 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 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, 20____ to and including _____ 1, 20____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee of ____ % (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20___, as set forth on said EXHIBIT B.

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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated _____, 2011.

This Bond is issued (i) to pay the Issuers Sewerage Design Bond Anticipation Notes, Series 2008 (the "Prior Notes"); (ii) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public sewerage system 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 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 2011, and a

Supplemental Resolution duly adopted by the Issuer on _____, 2011 (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) SEWER REVENUE BONDS, SERIES 1990 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(2) SEWER REVENUE BONDS, SERIES 1990 C (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS");

(3) SEWER REVENUE BONDS, SERIES 1991 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991 A BONDS");

(4) SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), DATED APRIL 26 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,896,000 (THE "SERIES 1994 BONDS"); AND

(5) SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), DATED FEBRUARY 10, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $400,000 (THE "SERIES 1997 BONDS"), (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT AND IN ALL RESPECTS WITH THE ISSUER'S:

(1) SEWER REVENUE BONDS, SERIES 1990 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(2) SEWER REVENUE BONDS, SERIES 1991 B (WEST

VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991 B BONDS"), (COLLECTIVELY THE "SECOND 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 senior and prior to the Second Lien Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2011 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 2011 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 or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2011 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 or junior to 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.

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

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2011 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: _____, 2011.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

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: _____, 20___.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Bond Purchase Agreement. The Series 2011 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the respective Bond Purchase Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Bond Purchase 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 Bond Purchase Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Bond Purchase Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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 DEP a schedule, the forms of which will be provided by the DEP, 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 (or continued) 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 Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions); and

(3) Series 2011 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 1990 A Bonds Sinking Fund (established by Prior Resolution);

(2) Series 1990 A Bonds Reserve Account (established by Prior Resolution);

(3) Series 1990 B Bonds Sinking Fund (established by Prior Resolution);

(4) Series 1990 B Bonds Reserve Account (established by Prior Resolution);

(5) Series 1990 C Bonds Reserve Account (established by Prior Resolution);

(6) Series 1991 A Bonds Sinking Fund (established by Prior Resolution);

(7) Series 1991 A Bonds Reserve Account (established by Prior Resolution);

(8) Series 1991 B Reserve Account (established by Prior Resolution);

(9) Series 1994 Sinking Fund (established by Prior Resolution);

(10) Series 1994 Reserve Account (established by Prior Resolution);

(11) Series 1997 Sinking Fund (established by Prior Resolution);

(12) Series 1997 Reserve Account (established by Prior Resolution);

(13) Series 2011 A Bonds Sinking Fund; and

(14) Series 2011 A 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. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

(1) The Issuer shall first, each month, pay from the Revenue Fund all Operating Expenses of the System.

(2) The Issuer shall next, transfer from the Revenue Fund and simultaneously remit (i) to the National Finance Office the amount required to pay interest on the Series 1990 C Bonds as required by the Prior Resolution; and (ii) to the Commission, the amounts required to pay interest on the Series 1990 A Bonds and Series 1991 A Bonds as required by the Prior Resolutions.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the National Finance Office the amount required to pay principal on the Series 1990 C Bonds as required by the Prior Resolutions; (ii) remit to the Commission, as appropriate, the amounts required to pay principal on the Series 1990 A Bonds, the Series 1991 A Bonds, the Series 1994 Bonds and the Series 1997 Bonds, as required by the Prior Resolutions; (iii) remit to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2011 A Bonds, for

deposit in the Series 2011 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2011 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 2011 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 remit to the Commission (i) the amounts required by the Prior Resolutions for deposit in the respective Reserve Accounts for the First Lien Bonds; and (ii) commencing 4 months prior to the first date of payment of principal of the Series 2011 A Bonds, if not fully funded upon issuance of the Series 2011 A Bonds, for deposit in the Series 2011 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2011 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2011 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 2011 A Bonds Reserve Requirement.

(5) The Issuer shall next, 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 ½% 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 VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Commission the principal payments on the Series 1990 B Bonds and Series 1991 B Bonds as required by Prior Resolution.

(7) The Issuer shall next, each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1990 B Bonds Reserve Account and the Series 1991 B Bonds Reserve Account, the amount required by Prior Resolution.

Monies in the Series 2011 A Bonds Sinking Fund, shall be used only for the purposes of paying principal of and interest, if any, on the Series 2011 A Bonds, as the same shall become due.

Monies in the Series 2011 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2011 A Bonds, as the same shall come due, when other monies in the Series 2011 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2011 A Bonds Sinking Fund and the Series 2011 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 2011 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 2011 A Bonds, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2011 A Bonds Reserve Account which result in a reduction in the balance therein 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 2011 A 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 requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2011 A Bonds Sinking Fund or the Series 2011 A Bonds Reserve Account, when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2011 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2011 A Bonds Sinking Fund and the Series 2011 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. 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 2011 A Bonds Sinking Fund and the Series 2011 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2011 A Bonds Sinking Fund and the Series 2011 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2011 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, if any, and reserve account payments with respect to the Series 2011 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. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. The Issuer shall also 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 SRF Administrative Fee as set forth in the Schedule Y attached to the Bond Purchase Agreement for the Series 2011 A Bonds.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Bond Purchase 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 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 respective parties 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 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. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2011 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2011 A Bonds, there shall first be deposited with the Commission in the Series 2011 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 2011 A Bonds for the period commencing on the date of issuance of the

Series 2011 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 2011 A Bonds, there shall be deposited with the Commission in the Series 2011 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2011 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2011 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2011 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 2011 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 2011 A Bonds shall be applied as directed by the DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the DEP and the Authority a report listing the specific purposes for which the proceeds of the Series 2011 A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2011 A Bonds deposited in the Series 2011 A Bonds Construction Trust Fund shall be made only after submission to and approval from the DEP, of a completed and signed "Payment Requisition Form," a form of which is attached to the Bond Purchase Agreement for the Series 2011 A Bonds, in compliance with the construction schedule, and

Pending such application, monies in the Series 2011 A Bonds Construction Trust Fund 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 2011 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 2011 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 2011 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.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 2011 A 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 Holders of the First Lien Bonds and prior and senior to the Second Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2011 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 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 and shall provide an opinion of counsel to the Issuer of such effect. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement and the Issuer shall supply a certificate of certified public accountant to such effect. 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 Recommended Decision of the Public Service Commission of West Virginia entered April 1, 2010 which became a Final Order on April 21, 2010 in Case No. 09-1947-PSWD-T, and such rates are hereby adopted.

So long as the Series 2011 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 Bond Purchase Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2011 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Bond Purchase 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 Bond Purchase Agreement.

Section 7.05. Sale of the System. So long as the Series 2011 A Bonds and the Prior Bonds are outstanding and except as otherwise required by law or with the written consent of the DEP and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to 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 2011 A Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the DEP and the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2011 A Bonds. Any balance remaining after the payment of the Series 2011 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 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 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 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 2011 A Bonds and the First Lien Bonds. All obligations issued by the Issuer after the issuance of the Series 2011 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 2011 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 2011 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 2011 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 DEP and the Authority 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. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2011 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the DEP 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 2011 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 Series 1990 A Bonds, Series 1990 B Bonds, Series 1991 A Bonds, Series 1991 B Bonds, Series 1994 Bonds or Series 1997 Bonds are outstanding, 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 and approved by the Public Service Commission of West Virginia, 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 2011 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 2011 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.

So long as the Series 1990 C 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 Revenue 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 Series 1990 C Bonds, representing 75% of the then-outstanding principal indebtedness.

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 DEP and the Authority, 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 DEP and the Authority 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 DEP and the Authority, 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 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 DEP, the Authority, or any other original purchaser of the Series 2011 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2011 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 (and to the extent legally required, in compliance with the applicable OMB Circular and the Single Audit Act, or any successor thereto), 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 2011 A Bonds, and shall submit said report to the DEP and the Authority, or any other original purchaser of the Series 2011 A Bonds. Such audit report submitted to the DEP and the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Bond Purchase 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.

Subject to the terms, conditions and provisions of the Bond Purchase 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 DEP and the Authority, 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 DEP and the Authority, 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 DEP and the Authority with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2011 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 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 2011 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 2011 A Bonds Reserve Account and the reserve accounts for obligations on a parity with or junior to the Series 2011 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 2011 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Series 2011 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 DEP and the Authority 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 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 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 DEP and the Authority 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 DEP and the Authority 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 Bond Purchase Agreement, and forward a copy of such report to the DEP and the Authority by the 10th 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 Bond Purchase 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 DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP 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 DEP 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 DEP 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 require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Bond Purchase Agreement for the Series 2011 A Bonds as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all state and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System during the entire term of the Bond Purchase Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

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

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 and any services and facilities of the water 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. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. No Free Services. Except as required by law, 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 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 Bond Purchase 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 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 DEP and the Issuer shall verify such insurance prior to commencement of construction. In the event the Bond Purchase Agreement so require, 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. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

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 has obtained 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 and the Council necessary for the acquisition and construction of the Project, the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Reserved.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2011 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 2011 A Bonds and shall be on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds.

Section 7.20. Compliance with Bond Purchase Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Bond Purchase Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP 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 DEP, the Authority or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

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

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; Change Orders, Public Releases.

A. The Issuer shall, simultaneously with the delivery of the Series 2011 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 DEP for written approval. The Issuer shall obtain the written approval of the DEP before expending any proceeds of the Series 2011 A Bonds held in "contingency" as set forth in the schedules attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the DEP before expending any proceeds of the Series 2011 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding provided by the DEP 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

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, 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 Series 2011 A Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2011 A Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to 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 2011 A Bonds as a condition to issuance of the Series 2011 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 2011 A Bonds as may be necessary in order to maintain the status of the Series 2011 A Bonds as public purpose 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 2011 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 DEP, as the case may be, from which the proceeds of the Series 2011 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 DEP, 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 2011 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 2011 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 2011 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 2011 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2011 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, Registrar or any other Paying Agent or a Holder of a Bond;

(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 the Prior Bonds.

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 2011 A Bonds shall be on a parity with the Holders of the First Lien Bonds and senior and prior to the Second Lien 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 2011 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 2011 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 2011 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 2011 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2011 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 2011 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2011 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 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 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, if any, on the Series 2011 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 Series 2011 A 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 2011 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. 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 Resolutions, the Prior Resolutions 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. Effective Date. This Resolution shall take effect immediately upon adoption.

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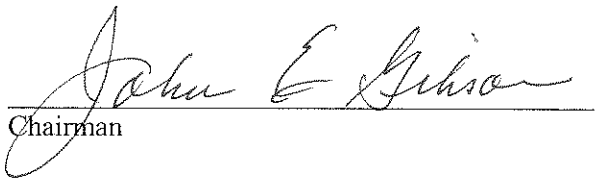
EXHIBIT A

Bond Purchase Agreement included in bond transcript as Document 3.

Adopted this 7th day of June, 2011.



Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 7th day of June, 2011.

Dated: June 24, 2011.

[SEAL]

Secretary

06.02.11
292120.00003

Flatwoods-Canoe Run Public Service District

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2011 A (WEST VIRGINIA SRF PROGRAM), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT 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 on June 7, 2011 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE PAYMENT OF THE SEWERAGE DESIGN BOND ANTICIPATION NOTES, SERIES 2008, THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $8,033,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2011 A (WEST VIRGINIA SRF PROGRAM); 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 BOND PURCHASE 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 Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer (the "Series 2011 A Bonds"), in the aggregate principal amount not to exceed $8,033,000, and has authorized the execution and delivery of the Bond Purchase Agreement relating to the Series 2011 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 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 Bond Purchase Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the 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 Bond Purchase Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Bond Purchase Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Bond Purchase Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates, the sale prices and other terms 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 Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $8,033,000. The Series 2011 A Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2050, and shall bear no interest. The principal of the Series 2011 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2013, to and including December 1, 2050, and in the amounts as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Series 2011 A Bonds. The Series 2011 A Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Bond Purchase Agreement, so long as the Authority shall be the registered owner of the Series 2011 A Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee of 0.5% of the principal amount of the Series 2011 A Bonds as set forth in the "Schedule Y" attached to the Bond Purchase Agreement.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Bond Purchase Agreement, copies of which are incorporated herein by reference, and the execution and delivery of the Bond Purchase 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 Bond Purchase Agreement and in the applications to the DEP 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 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 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 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 2011 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2011 A Bonds Sinking Fund, as capitalized interest.

Section 8. A. Series 2011 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2011 A Bonds Reserve Account to fund the Series 2011 A Bonds Reserve Account.

B. The Issuer instructs the Commission to transfer moneys in the Series 1997 Bonds Reserve Account to the Series 2011 A Bonds Reserve Account when the Series 1997 Bonds are paid in full. The Issuer covenants not to use the Series 1997 Bonds Reserve Account for the final payment of the Series 1997 Bonds.

Section 9. Series 2011 A Bonds proceeds in the amount of $604,476 shall be deposited with Branch Banking & Trust Company, Charleston, West Virginia to pay a portion of the outstanding principal balance of and all accrued interest on the Issuer's Sewerage System Bond Anticipation Notes, Series 2008 (the "Prior Notes") at Closing. The Issuer shall wire $21,714.03 ($20,000 from the Local contribution and $1,714.03 from the Governor's Partnership Grant) to pay a portion of the Prior Notes. The total payoff amount of the Prior Notes is $626,190.03.

Section 10. The balance of the proceeds of the Series 2011 A Bonds shall be deposited in or credited to the Series 2011 A Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Series 2011 A Bonds and related costs.

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 Bonds may be delivered on or about June 24, 2011, to the Authority pursuant to the Bond Purchase Agreement.

Section 12. The payment of the Prior Notes and 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 13. 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 Bond 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 in writing 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 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

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Adopted this 7th day of June, 2011.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____
Its: 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 the 7th day of June, 2011.

Dated: June 24, 2011.

[SEAL]

Secretary

06.03.11
292120.00003

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SRF-BPA-1
(01/11)

BOND PURCHASE AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND BOND PURCHASE AGREEMENT (the "Bond Purchase Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (the "DEP"), and the local government designated below (the "Local Government").

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (2003S-744)
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to acquire bonds of particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to utilize moneys from the Fund to purchase the bonds of local governments to provide the financing for the acquisition or construction of wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a wastewater treatment project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

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

WHEREAS, the Local Government has completed and filed with the Authority and DEP an Application for Purchase of Bonds with attachments and exhibits and an Amended Application for Purchase of Bonds also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference;

WHEREAS, having reviewed the Application and the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program; and

WHEREAS, the Local Government meets the "disadvantaged community" provisions of the SRF Regulations.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

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

1.3 "Local Act" means the official action of the Local Government required by Section 4.1 hereof, authorizing the Local Bonds.

1.4 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Bond Purchase Agreement.

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

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

1.7 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.8 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other

interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.9 "SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations, as amended.

1.10 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.11 Additional terms and phrases are defined in this Bond Purchase Agreement as they are used.

ARTICLE II

The Project and the System

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

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

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

2.4 The Local Government agrees that the Authority and DEP and their respective duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Local

Government further agrees that the Authority and DEP and their respective duly authorized agents shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and DEP with respect to the System pursuant to the pertinent provisions of the Act.

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

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

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate engineering services satisfactory to the Authority and DEP 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, DEP and the Local Government at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Government shall require the Consulting Engineers to submit Record Drawings, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Government shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator(s) to operate the System during the entire term of this Bond Purchase Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 50% completion stage.

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

2.12 The Local Government, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial

Report, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward a copy by the 10th of each month to the DEP and the Authority.

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward such forms to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Purchase of Local Bonds; Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Local Bonds will be expended and the procedures as to the disbursement of bond proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Bond Purchase Agreement;

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

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

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

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

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

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

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountant for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

(j) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and

acquisition of the Project as set forth in the Application, and the Authority and DEP shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of wastewater treatment projects and satisfactory to the Authority and DEP, to such effect, such certificate to be in form and substance satisfactory to the Authority and DEP, and evidence satisfactory to the Authority and DEP of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Bond Purchase Agreement, the rules and regulations promulgated by the Authority and DEP, including the SRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall purchase the Local Bonds of the Local Government and the Local Government shall issue and sell the Local Bonds to the Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall purchase the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Local Bonds shall be secured and shall be repaid in the manner hereinafter provided in this Bond Purchase Agreement.

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

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for financing of wastewater treatment projects and that the obligation of the Authority to purchase the Local Bonds is subject to the Local Government's fulfilling all of the terms and conditions of this Bond Purchase Agreement on or prior to the Date of Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other

local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all bonds will be purchased in conjunction with the SRF Regulations and with the prior approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions regarding the public release and audit requirements, established by federal and State regulations as set forth in Exhibit E attached hereto at such times as are set forth therein.

ARTICLE IV

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

4.1 The Local Government shall, as one of the conditions of the Authority and DEP to purchase the Local Bonds, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Local Government in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows:

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits

or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the net or gross revenues of the System as provided in the Local Act;

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

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

(iv) That, except as otherwise required by State law or the SRF Regulations, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole or substantially as a whole, provided that the net proceeds to be realized from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System when no longer required

for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

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

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

(vii) That the Local Government will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Government under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Government shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and DEP, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Government's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

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

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

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

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

(xvii) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit

F and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Local Government will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and DEP 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;

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

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

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

4.2 The Local Bonds shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Closing. The remaining proceeds of the Local Bonds shall be advanced by the DEP monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include, without limitation, Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to purchase the Local Bonds shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to purchase the Local Bonds.

ARTICLE V

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

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

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

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to this Bond Purchase Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Local Bonds next due, from the date of the default until the date of the payment thereof.

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by the Local Government in the terms and covenants of this Bond Purchase Agreement, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Bond Purchase Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Local Bonds.

6.4 The Local Government hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Local Government fails to make any such rebates as required, then the Local Government shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or

desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

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

6.7 The Local Government hereby agrees to file with the Authority and DEP upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

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

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

7.5 This Bond Purchase Agreement supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Local Bonds and constitutes the entire agreement between the parties hereto in respect thereof.

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

7.7 This Bond Purchase Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP;

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

(iii) termination by the Authority and DEP pursuant to Section 6.2 hereof; or

(iv) payment in full of the principal of and interest on the Local Bonds and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Local Bonds purchased under this Bond Purchase Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the State legislature or otherwise being available to purchase the Local Bonds. In the event funds are not appropriated or otherwise available to purchase all of the Local Bonds, the responsibility of the Authority and DEP to purchase the Local Bonds is terminated; provided further that the obligation of the Local Government to repay the outstanding amount of the Local Bonds is not terminated due to such non-funding on any balance of the Local Bonds. The DEP agrees to use its best efforts to have the amount contemplated under this Bond Purchase Agreement included in its budget. Non-appropriation or non-funding of the Loan shall not be considered an event of default under this Bond Purchase Agreement.

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

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman
Date: June 24, 2011

(SEAL)

Attest:

_____
Its: Secretary

WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, DIVISION OF WATER AND WASTE MANAGEMENT

By: _____
Its: Director
Date: June 24, 2011

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: _____
Its: Executive Director
Date: June 24, 2011

(SEAL)

Attest:

_____
Its: Authorized Officer

EXHIBIT A

FORM OF PERFORMANCE CERTIFICATE

[To Be Provided By DEP]

EXHIBIT B

MONTHLY FINANCIAL REPORT

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

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

_____
Name of Person Completing Form

_____
Address

_____
Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

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

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

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

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

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

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____

(Issuer)

_____

(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meaning set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Bond Purchase Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Department of Environmental Protection (the "DEP"), dated _____.

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

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

forth in Schedule attached hereto as Exhibit A, and my firm[1] has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof[2], the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Bond Purchase Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; and (xi) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

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

_____

By _____
West Virginia License No. __

[SEAL]

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

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

EXHIBIT E

SPECIAL CONDITIONS

A. PUBLIC RELEASE REQUIREMENT – The Local Government agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations, ground breaking or project dedication program documents and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) – Effective October 1, 2003, the Local Government that receives $500,000 or more (in federal funds) in a fiscal year must obtain audits in accordance with the Single Audit Act and the applicable OMB Circular or any successor thereto. Financial statement audits are required once all funds have been received by the Local Government.

C. ASSET MANAGEMENT – The Local Government shall submit an acceptable asset management plan to DEP no later than six months following substantial completion of the Project. This requirement shall be included in the bond closing documents.

D. WAGE RATES – The Local Government shall require that all laborers and mechanics employed by its contractors and subcontractors be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 32 of title 40, United States Code. The Local Government must require that contractors and subcontractors obtain wage determinations from DOL and comply with DOL guidance and regulations implementing wage rate requirements.

E. CLOSING REQUIREMENTS – [Reserved].

EXHIBIT F

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

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

Sinking Fund:

Interest	$_____
Principal	$_____
Total:	$_____
Reserve Account:	$_____

Witness my signature this ___ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

OPINION OF BOND COUNSEL FOR LOCAL GOVERNMENT

[To Be Dated as of Date of Closing]

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

West Virginia Department of Environmental Protection
601 57th Street
Charleston, WV 25304

Ladies and Gentlemen:

We are bond counsel to _____ (the "Local Government"), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a bond purchase agreement dated ____, ___, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), among the Local Government, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, ___ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Local Bonds are issued in the principal amount of $_____, in the form of one bond, registered as to principal only to the Authority, with principal payable quarterly on March 1, June 1, September 1, and December 1 of each year, beginning _____ 1, ____, and ending __ 1, ____, all as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Local Bonds.

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

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Local Government on _____, as supplemented by the supplemental resolution duly adopted by the Local Government on _____

(collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Bond Purchase Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Bond Purchase Agreement.

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

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

2. The Bond Purchase Agreement inures to the benefit of the Authority and the DEP and cannot be amended so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Local Government without the consent of the Authority and the DEP.

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

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

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

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

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds $8,033,000
Purchase Price of Local Bonds $8,033,000

The Local Bonds shall bear no interest. Commencing March 1, 2013, principal of the Local Bonds is payable quarterly, with an administrative fee of 1/2%. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Government shall submit its payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. If the Reserve Account is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Commission. The Local Government shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Local Bonds are fully registered in the name of the Authority as to principal only and the Local Bonds shall grant the Authority a first lien on the net or gross revenues of the Local Government's system as provided in the Local Act.

The Local Government may prepay the Local Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

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

(i) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938;

(ii) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000;

(iii) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806;

(iv) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000; and

(v) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000.

There are outstanding obligations of the Issuer which will rank junior and subordinate to the Local Bonds as to liens, pledge of and security for payment, being the:

(i) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842; and

(ii) Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194.

Number of New Customers: 200
Location: Little Buckeye Creek to Park Street in Gassaway (6 areas)

SCHEDULE Y

DEBT SERVICE SCHEDULE

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate

0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments
3/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
6/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
9/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
12/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
3/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
6/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
9/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
12/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30
3/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
6/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
9/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
12/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
3/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
6/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
9/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
12/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
3/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
6/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
9/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
12/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30
3/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30
6/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30
9/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30
12/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30
3/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
6/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
9/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
12/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
3/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
6/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
9/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
12/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
3/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
6/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
9/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
12/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
3/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
6/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
9/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
12/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30
3/1/2023	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2023	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2023	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2023	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2024	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2024	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2024	55,191.50		55,191.50	4,933.90		60,125.40

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate

0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments
12/1/2024	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2025	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2025	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2025	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2025	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2026	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2026	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2026	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2026	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2027	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2027	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2027	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2027	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2028	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2028	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2028	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2028	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2029	55,191.50		55,191.50	4,933.90		60,125.40
6/1/2029	55,191.50		55,191.50	4,933.90		60,125.40
9/1/2029	55,191.50		55,191.50	4,933.90		60,125.40
12/1/2029	55,191.50		55,191.50	4,933.90		60,125.40
3/1/2030	56,841.50		56,841.50	4,933.90		61,775.40
6/1/2030	56,841.50		56,841.50	4,933.90		61,775.40
9/1/2030	56,841.50		56,841.50	4,933.90		61,775.40
12/1/2030	56,841.50		56,841.50	4,933.90		61,775.40
3/1/2031	56,841.50		56,841.50	4,933.90		61,775.40
6/1/2031	56,841.50		56,841.50	4,933.90		61,775.40
9/1/2031	56,841.50		56,841.50	4,933.90		61,775.40
12/1/2031	56,841.50		56,841.50	4,933.90		61,775.40
3/1/2032	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2032	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2032	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2032	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2033	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2033	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2033	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2033	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2034	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2034	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2034	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2034	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2035	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2035	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2035	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2035	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2036	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2036	78,949.00		78,949.00	4,933.90		83,882.90

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate

0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments
9/1/2036	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2036	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2037	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2037	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2037	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2037	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2038	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2038	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2038	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2038	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2039	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2039	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2039	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2039	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2040	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2040	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2040	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2040	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2041	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2041	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2041	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2041	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2042	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2042	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2042	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2042	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2043	78,949.00		78,949.00	4,933.90		83,882.90
6/1/2043	78,949.00		78,949.00	4,933.90		83,882.90
9/1/2043	78,949.00		78,949.00	4,933.90		83,882.90
12/1/2043	78,949.00		78,949.00	4,933.90		83,882.90
3/1/2044	21,687.50		21,687.50	4,933.90		26,621.40
6/1/2044	21,687.50		21,687.50	4,933.90		26,621.40
9/1/2044	21,687.50		21,687.50	4,933.90		26,621.40
12/1/2044	21,687.50		21,687.50	4,933.90		26,621.40
3/1/2045	14,322.50		14,322.50	4,933.90		19,256.40
6/1/2045	14,322.50		14,322.50	4,933.90		19,256.40
9/1/2045	14,322.50		14,322.50	4,933.90		19,256.40
12/1/2045	14,322.50		14,322.50	4,933.90		19,256.40
3/1/2046	14,322.50		14,322.50	4,933.90		19,256.40
6/1/2046	14,322.50		14,322.50	4,933.90		19,256.40
9/1/2046	14,322.50		14,322.50	4,933.90		19,256.40
12/1/2046	14,322.50		14,322.50	4,933.90		19,256.40
3/1/2047	14,322.50		14,322.50	4,933.90		19,256.40
6/1/2047	14,322.50		14,322.50	4,933.90		19,256.40
9/1/2047	14,322.50		14,322.50	4,933.90		19,256.40
12/1/2047	14,322.50		14,322.50	4,933.90		19,256.40
3/1/2048	14,322.50		14,322.50	4,933.90		19,256.40

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate

0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments
6/1/2048	14,322.50		14,322.50	4,933.90		19,256.40
9/1/2048	14,322.50		14,322.50	4,933.90		19,256.40
12/1/2048	14,322.50		14,322.50	4,933.90		19,256.40
3/1/2049	14,322.50		14,322.50	4,933.90		19,256.40
6/1/2049	14,322.50		14,322.50	4,933.90		19,256.40
9/1/2049	14,322.50		14,322.50	4,933.90		19,256.40
12/1/2049	14,322.50		14,322.50	4,933.90		19,256.40
3/1/2050	14,085.50		14,085.50	4,933.90		19,019.40
6/1/2050	14,085.50		14,085.50	4,933.90		19,019.40
9/1/2050	14,085.50		14,085.50	4,933.90		19,019.40
12/1/2050	14,085.50		14,085.50	4,933.90		19,019.40
	8,033,000.00		8,033,000.00	749,952.80	315,796.00	9,098,748.80

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At as session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 4th day of February 2011.

CASE NO. 08-2081-PSD-CN (Reopened)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.
Application for a certificate of public convenience and necessity to construct a wastewater system extension to the Catholic Hill and Little Buffalo Creek areas of Braxton County.

CASE NO. 09-0804-PSD-SCN (Reopened)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT,
a public utility, Sutton, Braxton County.
Application for a Certificate of Convenience and Necessity to construct a wastewater system extension to serve approximately 165 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run, and Chemical Town areas of Braxton County, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County.

COMMISSION ORDER

Case No. 08-2081-PSD-CN

By Recommended Decision that became a final order of the Commission on April 6, 2009, the Commission granted a certificate of convenience and necessity to the Flatwoods-Canoe Run Public Service District (Flatwoods-Canoe) to construct a wastewater system extension to the Catholic Hill and Little Buffalo Creek areas of Braxton County, contingent upon Flatwoods-Canoe obtaining all of the necessary federal, state and local permits. The estimated project cost was approximately $667,000, and the Commission approved the proposed financing for the project, comprised of a $500,000 United States Army Corps of Engineers grant, a $99,000 Governor's Partnership grant and a $68,000 grant from various local contributors. The project did not impact the Flatwoods-Canoe rates.

By Recommended Decision that became a final order of the Commission on August 24, 2009, the Commission granted Flatwoods-Canoe a certificate of convenience and necessity to construct improvements to its wastewater facilities and extend service to 165 customers in the areas of Little Buckeye Creek, Skidmore Run, Lower Skidmore Run and Chemical Town in Braxton County, West Virginia, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County, West Virginia, contingent on receipt of permits. The project cost was estimated to be $6,600,000, and the Commission approved the proposed financing consisting of a loan in the amount of $6,600,000 from the Department of Environmental Protection, with 100% debt forgiveness and no annual administrative fee, using funds provided by *The American Recovery and Reinvestment Act of 2009* (ARRA). The project did not have a rate impact.

Petition to Reopen

On December 17, 2010, Flatwoods-Canoe filed a Petition to Reopen both cases, and requested that the Commission combine the funding for the two cases. Flatwoods-Canoe explained that the project costs of Case No. 08-2081-PSD-CN have not changed, but that the project costs of Case No. 09-0804-PSD-SCN had risen from the original estimate of $6,600,000 to $8,033,000.

Flatwoods-Canoe stated that if costs and funding in both cases is combined, total project cost will be $8,700,000, consisting of:

$7,000,000	Construction costs
$ 915,000	Engineering fees
$ 15,000	Project Attorneys fees
$ 10,000	Public Service Commission matters Attorneys fees
$ 15,000	Legal/right-of-way costs
$ 50,000	Project Coordinator costs
$ 25,000	Accountants fees
$ 44,000	Interim financing costs
$ 30,000	Bond counsel fees
$ 20,000	Land acquisition costs
$ 25,000	Easement costs
$ 551,000	Project contingency amount

Total combined funding will consist of:

$ 68,000	Local contributions
$ 99,000	Governor's Partnership Grant
$ 500,000	U.S. Army Corps of Engineers Grant

$2,145,736	SRF Loan at 0% interest for a term of 40 years with a 0.5% administrative fee
$5,887,264	SRF Wrap Loan consisting of debt service payments equal to the sum of the debt service payments on the Flatwoods-Canoe 1994 SRF Loan and 1977 SRF Loan.

With its petition to reopen, Flatwoods-Canoe filed a cash flow analysis prepared by its accountant indicating that if the project funding is combined, there will be no rate impact as a result of the cost increase for the project that is the subject of Case No. 09-0804-PSD-SCN.

On January 21, 2011, Commission Staff filed a Memorandum recommending that the Commission conclude that if Flatwoods-Canoe files an affidavit from its accountant stating that the change in project costs will not affect the rates or the scope of the original projects, then Flatwoods-Canoe is not required to obtain Commission approval of its request to combine project funding. Staff cited Rule 10.3.h. of the Commission Rules of Practice and Procedure as justification for its recommendation. Staff also recommended, however, that because Flatwoods-Canoe has not begun to construct either project, the Commission should order it to comply with all the ordering paragraphs of the certification orders in both cases.

On January 27, 2011, Flatwoods-Canoe filed an Affidavit of Todd F. Dingess, CPA, stating that the Flatwoods-Canoe current rates and charges are sufficient to support the revised, combined project costs and financing.

DISCUSSION

The instant petition was filed due to increased costs of the project that is the subject of Case No. 09-0804-PSD-SCN, as well as the fact that Flatwoods-Canoe did not receive the ARRA funding it originally sought for that project. The petition to reopen indicates that Flatwoods-Canoe has obtained replacement funding.

Upon review of the Flatwoods-Canoe proposal to combine the funding for the two projects, the Commission concludes that the public convenience and necessity still requires both projects and that the public interest will be served by combining the funding with no resulting rate impact on customers. The Flatwoods-Canoe petition to reopen should be granted.

In view of the passage of time since issuance of the original certificating orders, the Commission will restate the applicable ordering paragraphs below.

FINDINGS OF FACT

1. Flatwoods-Canoe states that the estimated cost of the project that is the subject of Case No. 0-0804-PSD-SCN has risen by $1,433,000. Petition to Reopen.

2. Flatwoods-Canoe did not receive ARRA funding for the Case No. 09-0804-PSD-SCN project. Staff Memorandum filed January 21, 2011.

3. The certificating order in Case No. 09-0804-PSD-SCN required Flatwoods-Canoe to petition to reopen that case if it did not receive ARRA funding. Recommended Decision issued August 4, 2009, final as of August 24, 2009, Ordering paragraphs, p. 8.

4. Flatwoods-Canoe proposes to combine the funding for the projects certificated in Case Nos. 08-2081-PSD-CN and 09-0804-PSD-SCN. Petition to Reopen.

5. The Flatwoods-Canoe accountant has certified by affidavit that the combined funding proposal for the two projects will not necessitate a rate increase. Affidavit of Todd F. Dingess filed January 27, 2011.

6. Staff states that Flatwoods-Canoe has not yet commenced construction on either project. Staff Memorandum filed January 21, 2011.

CONCLUSIONS OF LAW

1. Flatwoods-Canoe properly petitioned to reopen pursuant to a specific requirement of the certification order issued in Case No. 09-0804-PSD-SCN. Recommended Decision issued August 4, 2009, final as of August 24, 2009, Ordering paragraphs, p. 8.

2. The public convenience and necessity still require the projects and the public interest will be served by combining the funding with no resulting rate impact on customers. The Flatwoods-Canoe petition to reopen should be granted.

ORDER

IT IS, THEREFORE, ORDERED that the Flatwoods-Canoe petition to reopen filed December 17, 2010 is granted.

IT IS FURTHER ORDERED that the following combined funding totaling $8,700,000 is approved for the two previously certificated projects:

$ 68,000	Local contributions
$ 99,000	Governor's Partnership Grant
$ 500,000	U.S. Army Corps of Engineers Grant
$2,145,736	SRF Loan at 0% interest for a term of 40 years with a 0.5% administrative fee
$5,887,264	SRF Wrap Loan consisting of debt service payments equal to the sum of the debt service payments on the Flatwoods-Canoe 1994 SRF Loan and 1977 SRF Loan.

IT IS FURTHER ORDERED that should the scope, plans or financing for the projects change, Flatwoods-Canoe will obtain prior Commission approval before commencing construction. Changes in project cost do not require separate approval if those changes do not affect rates and the District submits an affidavit from a certified public accountant to this effect.

IT IS FURTHER ORDERED that Flatwoods-Canoe cannot proceed to construction unless and until it has received all required federal, state and local permits.

IT IS FURTHER ORDERED that Flatwoods-Canoe provide a copy of the engineer's certified tabulation of bids, within ten (10) days of the bid opening date, for each construction contract or vendor contract to be awarded for the projects.

IT IS FURTHER ORDERED that Flatwoods-Canoe provide a copy of the certification of substantial completion for each contract associated with this project, within ten (10) days of issuance.

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

IT IS FURTHER ORDERED that on entry of this Order, the cases will be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this Order by electronic service on all parties of record who have filed an e-service agreement, by United States First Class Mail on all parties of record who have not filed an e-service agreement, and on Staff by hand delivery.

A True Copy, Teste: Sandra Squire

Sandra Squire
Executive Secretary

JML/tt
082081ca.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
8/24/2009

Entered: August 4, 2009

CASE NO. 09-0804-PSD-SCN

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT,
a public utility, Sutton, Braxton County.
Application for a Certificate of Convenience and Necessity to construct a wastewater system extension to serve approximately 165 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run, and Chemical Town areas of Braxton County, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County.

RECOMMENDED DECISION

On May 19, 2009, Flatwoods-Canoe Run Public Service District (District) filed an application for a certificate of convenience and necessity pursuant to W. Va. Code §24-2-11 to construct a wastewater system extension to serve approximately 165 new customers in the areas of Little Buckeye Creek, Skidmore Run, Lower Skidmore Run and Chemical Town in Braxton County, West Virginia, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County, West Virginia (Project). The total Project cost is estimated to be $6,600,000 and the District anticipates financing the Project utilizing a loan in the amount of $6,600,000 from the West Virginia Department of Environmental Protection, utilizing funds provided by The American Recovery and Reinvestment Act of 2009 (ARRA), with 100% debt forgiveness and no administrative fee. The District did not anticipate increasing its current sewer rates and charges, which became effective in August 2008. No other public utilities provide sewer service in the Project area. The District requested a waiver of the requirement to file a Rule 42 Exhibit, because the Project was being funded entirely through a 100% forgivable loan utilizing economic stimulus money and will have no impact on current customer rates and charges. Along with the application, the District filed contract specifications, a design report, the plans and specifications and the facilities plan amendment prepared by its engineer. The Project has been approved by the West Virginia Infrastructure and Jobs Development Council (IJDC).

On May 21, 2009, the Public Service Commission issued a Notice of Filing in this matter, directing the District to provide notice of the filing of its application by publishing a copy of the Notice of Filing one time in a qualified newspaper, published and of general circulation in Braxton County, making due return to the Commission of proper

certification of publication immediately thereafter. Anyone desiring to protest or intervene was given leave to do so within thirty (30) days following the date of publication of the Notice. The Notice further provided that, if no substantial protest to the application was received within the thirty-day period, the Commission could waive formal hearing and grant the application based on the evidence submitted with the application and its review thereof.

On May 22, 2009, the District filed a copy of the letter dated May 20, 2009, from the DEP, informing the District that it appeared to be eligible to be considered for a $6,600,000 loan with 100% debt forgiveness and no annual administrative fee.

On May 28, 2009, Staff Attorney Cassius H. Toon filed the Initial Joint Staff Memorandum, attached to which was the Initial Staff Internal Memorandum prepared by Utilities Analyst Nathan Nelson of the Water and Wastewater Division and Engineering Technician John Mottesheard of the Engineering Division, along with Staff's first request for information from the District. Commission Staff requested that the District file an updated cash flow statement for the period beginning July 1, 2008, and ending April 30, 2009, annualized.

By Commission Order entered on May 29, 2009, the Commission referred this matter to the Division of Administrative Law Judges for a decision to be rendered on or before August 18, 2009.

On June 4, 2009, the District filed the affidavit of publication for the Notice of Filing, verifying that the Notice of Filing was published on June 2, 2009, in the Braxton Citizens News, a qualified newspaper published in Braxton County, West Virginia. No protests have been filed to the application either within the thirty-day protest period, which expired on July 2, 2009, or as of the date of this Order.

On June 8, 2009, the District filed the updated cash flow statement requested by Commission Staff.

On July 23, 2009, Staff Attorney Toon filed the Final Joint Staff Memorandum herein, attached to which was the Final Internal Memorandum prepared by Mr. Nelson and Mr. Mottesheard. The District currently provides wastewater service to 1,200 customers in and around the Town of Sutton in Braxton County. This Project, designated as Phase II, will provide sewer service to an additional 165 new customers in the areas of Little Buckeye Creek, Skidmore Run, Lower Skidmore Run and Chemical Town. The Project will consist of the construction of 19,800 linear feet of 10, 8 and 6-inch gravity sewer line and 10,600 linear feet of 3, 2 and 1 1/2-inch force main sewer. The Project also will upgrade seven existing pump stations and increase the overall capacity of the District's treatment plant from 512,000 gpd to 720,000 gpd. The current rates will not be affected by the Project.

With respect to the estimated $6,600,000 Project cost, with an estimated construction cost of $5,000,000, Staff noted that the Project had not been bid and the Project cost is based entirely upon estimates. Staff believes that, once bids are actually received, it is likely that Project costs will change. The total cost of engineering services is

approximately 16% of the total construction cost, which Staff felt was reasonable, based upon its analysis of similar types of projects.

The Project area currently is not served with sanitary sewer service and some areas are sending untreated wastewater into the Elk River and its tributaries. Additionally, the upgrades for the lift station are much needed, as is the plant size upgrade. Staff believes that the only alternative for surveying the Project area is the instant Project. The Project engineer estimated that the District's annual operation and maintenance expenses will increase by $75,000, which the engineer believes would be offset by the additional revenue generated by the new customers. After reviewing the Project engineer's information, Staff believed that the information was accurate. Technical Staff also completed a review of the plans, specifications and other technical documents provided by the District and found no conflict with the Commission's Rules and Regulations for the Government of Sewer Utilities (Sewer Rules). Staff further noted that it appeared that all necessary permits had been received, but Staff reminded the District that construction could not begin prior to approval and issuance of any required permits. Based upon its review, Staff recommended approval of the Project, contingent upon the receipt of all necessary permits, without specifically approving the Project plans and specifications.

Financial Staff discussed the proposed funding of the Project. The $6,600,000 loan, with 100% debt forgiveness and no annual administrative fee, would result in no rate increase for the Project. The District filed calculations detailing operation and maintenance expense increases as a result of the Project; the District believes that revenue from the new customers will offset the increase in operation and maintenance expenses. The District's last rate increase became effective on August 13, 2008, in Case No. 08-2081-PSD-CN. Staff has evaluated the District's current financial situation, using its existing rates, and has concluded that the District's cash flow surplus and debt service coverage will actually increase following construction of the Project at issue herein. Currently, the District's rates are generating an annual cash flow surplus of $53,242, with debt service coverage of 126.61%. After the Project is constructed, Commission Staff is anticipating a cash flow surplus for the District of $60,383, with debt service coverage of 130.01%. Financial Staff concluded that the Project is feasible and should be approved. The Project should have a positive effect on the District's cash flow and the increased customer base will help spread the cost of any future rate increase over a larger number of customers.

In summary, Commission Staff recommended that a certificate of convenience and necessity be granted to the District to construct the sanitary sewer extension to serve approximately 165 new customers, at a cost of $6,600,000; that the Project financing be approved; and that several other conditions listed in the Staff recommendation be met.

DISCUSSION

The Project at issue herein, in and of itself, is not remarkable and appears to be well-justified. There is more than ample proof of need to support the conclusion that the public convenience and necessity require the Project and that the Project appears to be economically and

financially viable, based upon the proposed ARRA funding and the District's current sewer rates and charges. This Project is remarkable because it is one of the SCN applications created by the Public Service Commission in General Order No. 182.09, issued on April 16, 2009. In that General Order, the Commission discussed the process to be followed for water and sewer certificate projects that are to be funded with stimulus funds under the ARRA.[1] The Commission noted that the State Bureau for Public Health will have approximately 19.5 million dollars in federal stimulus funds for water projects, while the DEP will have approximately 61 million dollars for sewer projects. Those projects have to be bid by August 2009 and the contracts awarded by October 2009. The economic stimulus projects are made more complicated by the fact that the funding agencies overseeing the distribution of economic stimulus funds will not be finally awarding those funds through a traditional commitment letter until approximately August or September of 2009. Economic stimulus money is awarded on a "first come, first served" basis and there is no guarantee that any project which received a letter from either DEP or the Bureau for Public Health, indicating that a project was eligible for certain level of ARRA funding, will actually receive the originally specified level of ARRA funding, or any ARRA funding at all.

Traditionally, orders granting certificates of convenience and necessity to public utilities have specifically approved the funding package proposed for the project and have required that the public utility file a petition to reopen the proceeding to obtain Commission approval of any changes to project financing only in the event that project costs change and rates are affected, either requiring increases or decreases. That process is being retained in large part for projects using ARRA funds, since that process provides a reasonable, and streamlined, means of addressing the timing problems associated with ARRA projects, i.e., the financing will not be finally committed until sometime in August or September of 2009 and contracts must be awarded on or before October 1, 2009. The biggest difference is the approval of project financing that has not been committed. To further accommodate the timing constraints of ARRA, essentially, the determination is being made in advance that any funding package that includes ARRA funds is reasonable, so that changes to an ARRA funding package do not require additional review, unless rates have to be increased.

Despite the ARRA constraints, the Public Service Commission has an obligation with regard to any certificate application, whether it is filed by a private utility, a public service district or a municipality, to insure that the project is economically feasible and financially viable, which includes guaranteeing that there is adequate financing to fund the proposed project. See, Town of Man and Man Water Works, Inc., Case No. 81-433-W-PC, Order Affirming Hearing Examiner's Decision, April 16, 1982, 69 ARPSCWV 1893; Ohio County Public Service District, Case No. 82-482-S-CN, Order Affirming Hearing Examiner's Decision Without Prejudice, April 8, 1983, 70 ARPSCWV 2049. See also, Sexton v. Public

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[1]While the availability of ARRA funding has generated a flurry of SCN certificate filings with accelerated timelines, there has been no statutory change in the West Virginia Code to accommodate the ARRA funding. For the purposes of W. Va. Code § 24-2-11, ARRA funding is no different from any other funding.

Service Commission, 188 W. Va. 305, 423 S.E.2d 914, (1992). Accordingly, the District must reopen this proceeding for Commission review and approval of project changes which generate rate changes, with the clarification that this requirement will apply only to rate increases. Further, it is reasonable to include an ordering paragraph prohibiting the District from commencing construction, unless it has secured adequate funding to cover all project costs, as those costs have been determined upon the conclusion of the bidding process and after bids have been awarded for all of the construction contracts associated with the project, and to file that information with the Commission. The District will be required to file with the Commission a letter detailing the final funding package for this project upon that information being known, along with the bid tabulations for each construction contract to be awarded for the project. Those filings should be made as closed entries and should not be treated as petitions to reopen.

In the event that, after the filing of the letter by the District providing the details of the finalized funding package for the certificated project, Commission Staff concludes, based upon its own independent analysis, that either the specified funding package or the rates are insufficient to cover all project costs, it will be the obligation of Commission Staff to petition the Public Service Commission to reopen the certificate proceeding for the purpose of reviewing the financial viability of the certificated project.

As with all certificate applications filed with the Commission, in the event that the project scope changes, or changes in project cost and/or financing require a further rate increase, or if the District ultimately receives no ARRA funding, the District will be required to file a petition to reopen this matter, to allow the Commission to assess the nature of the project changes, both to determine if they are adequately funded and to determine if those changes are appropriate and not in conflict with any state laws or Commission rules, and to insure that funding package and associated rates support the economic feasibility and financial viability of the project.

FINDINGS OF FACT

1. On May 19, 2009, the Flatwoods-Canoe Run Public Service District filed an application with the Public Service Commission for a certificate of public convenience and necessity for a sewer service extension to serve 165 new customers. The Project has been approved by the West Virginia Infrastructure and Jobs Development Council. (See, application filed May 19, 2009; Final Joint Staff Memorandum and attachment filed July 23, 2009).

2. By Notice of Filing Order entered on May 21, 2009, the Flatwoods-Canoe Run Public Service District was required to publish a Notice of Filing one time in a newspaper, published and generally circulated in Braxton County, providing anyone affected by the application thirty (30) days in which to file written protests with the Public Service Commission. No protests were filed within the thirty-day protest period or as of the date of this Order. (See, Notice of Filing Order entered May 21, 2009; affidavit of publication filed June 4, 2009; case file generally).

3. The District has received a letter from the West Virginia Department of Environmental Protection, informing it that the Project is eligible to be considered for an award of economic stimulus funds, under The American Recovery and Reinvestment Act of 2009, with said funding to be in the form of a $6,600,000 loan with 100% debt forgiveness and no administrative fee. (See, DEP letter dated May 20, 2009, filed May 22, 2009).

4. The Project will not require an additional rate increase. The District's last rate increase went into effect on August 13, 2008. Based upon its existing rates, after project completion, the District should experience a cash flow surplus of $60,383, with debt service coverage of 130.01%. (See, Final Joint Staff Memorandum and attachment filed July 23, 2009).

5. Commission Technical Staff has reviewed the original plans and specifications for the Project and has concluded that there are no conflicts with the Commission's Sewer Rules concerning engineering requirements. (See, Final Joint Staff Memorandum and attachment filed July 23, 2009).

6. The 165 potential customers in the areas of Little Buckeye Creek, Skidmore Run, Lower Skidmore Run and Chemical Town in Braxton County do not have sanitary sewer service. Some of the areas to be served are sending untreated wastewater into the Elk River and its tributaries. The Project also will upgrade the existing lift stations and the treatment plant size will be upgraded to 712,000 gpd from 512,000 gpd. (See, Final Joint Staff Memorandum and attachment filed July 23, 2009).

7. After concluding its review, Commission Staff recommended that a certificate of convenience and necessity be granted to the Flatwoods-Canoe Run Public Service District, that the proposed ARRA financing be approved and that various other conditions with regard to certification of the project be adopted. (See, Final Joint Staff Memorandum and attachment filed July 23, 2009).

CONCLUSIONS OF LAW

1. The Public Service Commission is empowered to require all public utilities to demonstrate that a proposed water or sewer project is economically feasible and financially viable by demonstrating that they have secured adequate funding to cover all project costs, as those project costs are determined to be at the conclusion of the bidding process, and that the resulting rates are just, reasonable, applied without unjust discrimination or preference and based primarily on the cost of providing service. See, Town of Man and Man Water Works, Inc., Case No. 81-433-W-PC, Order Affirming Hearing Examiner's Decision, April 16, 1982, 69 ARPSCWV 1893; Ohio County Public Service Commission, Case No. 82-482-S-CN, Order Affirming Hearing Examiner's Decision Without Prejudice, April 8, 1983, 70 ARPSCWV 2049. See also, Sexton v. Public Service Commission, 188 W. Va. 305, 423 S.E.2d 914, (1992).

2. In order to accommodate the unique timing issues involving the economic stimulus funds provided under The American Recovery and

Reinvestment Act of 2009, and recognizing that these funds are available for a short period on a one-time only basis, it is reasonable to modify some of the Commission's traditional requirements regarding certificate applications, as set forth in the ordering paragraphs of this decision.

3. The public convenience and necessity require the proposed project.

4. The current rates and charges of the Flatwoods-Canoe Run Public Service District appear to be sufficient to cover all project-related costs, as well as the District's going-level operation and maintenance expenses.

5. The proposed funding package for the project, consisting of the DEP loan of ARRA funds in the amount of $6,600,000, with 100% debt forgiveness and no annual administrative fee, is reasonable and is sufficient to cover the cost of the project, at its current cost estimates.

6. Because ARRA funds represent an additional one-time infusion of capital for West Virginia water and sewer projects, with extremely favorable terms, it is reasonable to conclude that any funding package which includes ARRA funds is convenient to the public, without further review, as long as rates do not have to be increased to support funding revisions made after a certificate is granted.

7. A certificate of convenience and necessity should be granted to the Flatwoods-Canoe Run Public Service District for the project specified herein, without specifically approving the project's plans and specifications.

ORDER

IT IS, THEREFORE, ORDERED that the application filed by the Flatwoods-Canoe Run Public Service District on May 19, 2009, for a certificate of convenience and necessity to construct improvements to its wastewater facilities and extend service to 165 customers, all as more particularly described in the plans and specifications filed with the application, at a total cost of approximately $6,600,000, be, and it hereby is, granted, without specifically approving the plans and specifications filed herein.

IT IS FURTHER ORDERED that the proposed project financing package, consisting of a loan in the amount of $6,600,000 from the Department of Environmental Protection, with 100% debt forgiveness and no annual administrative fee, using funds provided by The American Recovery and Reinvestment Act of 2009, be, and it hereby is, approved. Upon finalization of the funding package, the Flatwoods-Canoe Run Public Service District shall file a letter with the Commission detailing the specifics of that funding package, including the terms and conditions of any loans awarded. If the funding package is revised, but still includes ARRA funds, the District is not required to petition the Commission for approval of that revised project financing, as long as the revised ARRA funding package does not require an additional rate increase. It will be sufficient for the District to file the revised funding commitment

documentation, along with a certification from its certified public accountant or bond counsel that the revised funding package is adequate to cover all project costs and will not require any additional rate increase.

IT IS FURTHER ORDERED that, if the project scope changes, if project costs or financing require a further rate increase beyond any reviewed in this application, or if, ultimately, the Flatwoods-Canoe Run Public Service District does not receive any ARRA funding, the Flatwoods-Canoe Run Public Service District petition the Commission for approval of such change(s) prior to commencing construction.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District cannot proceed to construction unless and until it has received all required federal, state and local permits, and unless the finally-awarded ARRA funding package is adequate to cover all project costs, as determined at the conclusion of the bidding process with a bid awarded for each construction contract or vendor contract for the project.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District provide a copy of the engineer's certified tabulation of bids, within ten (10) days of the bid opening date, for each construction contract or vendor contract to be awarded for this project.

IT IS FURTHER ORDERED that the Flatwoods-Canoe Run Public Service District provide a copy of the certification of substantial completion for each contract associated with this project, within ten (10) days of issuance.

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 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.

Melissa K. Marland
Chief Administrative Law Judge

MKM:cdk
090804a.wpd

091947alj040110.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: April 1, 2010

FINAL

4/21/2010

CASE NO. 09-1947-PSWD-T

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT,
a public utility, Sutton, Braxton County.
Tariff filing to add or make certain changes
to the current water and sewer tariffs.

RECOMMENDED DECISION

On November 16, 2009, Flatwoods-Canoe Run Public Service District ("District") filed with the Public Service Commission ("Commission") a request for approval of changes to its water and sewer tariffs, as follows: adding $20 disconnect and $20 administrative fees and increasing its returned check charge from $25 to $34 for both tariffs; a tiered system for new water service taps with fees ranging from $350 to $7,840, depending upon connection size for its water tariff; and increasing the tap fee from $200 to $350 for its sewer tariff.

On December 30, 2009, the Commission referred this matter to the Division of Administrative Law Judges ("ALJ Division") for decision no later than June 14, 2010

On February 17, 2010, the Final Joint Staff Memorandum was filed. Staff recommended that the disconnect and administrative fees not be approved, reasoning that such fees should be approved only in a general rate case, in order to avoid double recovery. Staff further recommended that the increase in the returned check charges be disapproved, because the Commission's current policy limits the recovery to the actual bank charge or $25, whichever is less. Staff finally recommended that the tap fees be increased, from $200 to $350 for the water tariff, and from $250 to $275 for the sewer tariff.

DISCUSSION

The cover letter to the Final Joint Staff Memorandum provided the District ten days to respond to Staff's memorandum and advised the District that, if it did not file a response, the decision might be made on the record, as compiled, without further proceedings. The District did not file any response.

FINDINGS OF FACT

1. On November 16, 2009, Flatwoods-Canoe Run Public Service District filed with the Public Service Commission a request for approval of changes to its water and sewer tariffs, as follows: adding $20 disconnect and $20 administrative fees and increasing its returned check charge from $25 to $34 for both tariffs; a tiered system for new water service taps with fees ranging from $350 to $7,840, depending upon connection size for its water tariff; and increasing the tap fee from $200 to $350 for its sewer tariff. (See filing).

2. Staff recommended that the disconnect and administrative fees not be approved, reasoning that such fees should be approved only in a general rate case, in order to avoid double recovery. Staff further recommended that the increase in the returned check charges be disapproved, because the Commission's current policy limits the recovery to the actual bank charge or $25, whichever is less. Staff finally recommended that the tap fees be increased, from $200 to $350 for the water tariff, and from $250 to $275 for the sewer tariff. (See Final Joint Staff Memorandum filed February 17, 2010).

3. The District was provided opportunity to respond to the Staff recommendations and did not respond. Failure to respond indicated that the District accepted Staff's recommendations. (See cover letter to Final Joint Staff Memorandum; Commission File).

CONCLUSIONS OF LAW

1. Staff's reasoning on all requests is sound.

2. Staff's recommendations will be adopted.

ORDER

IT IS, THEREFORE, ORDERED that the petition filed on November 16, 2009, by Flatwoods-Canoe Run Public Service District for modifications to its water and sewer tariffs is granted in part; that the requested addition of disconnect and administrative fees is denied; that the requested increase in the returned check charges for both tariffs is denied; and that increasing the water tap fee to $350

and the sewer tap fee to $275 is approved, to become effective on the date on which this decision becomes final.

IT IS FURTHER ORDERED that Flatwoods-Canoe Run Public Service District file an original and at least five (5) copies of its water and sewer tariffs, showing the approved increases in the tap fees, within thirty (30) days of the date on which this decision becomes final.

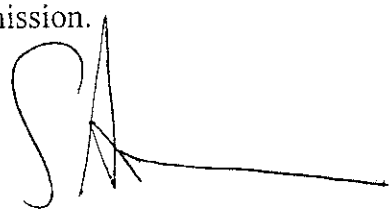
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon the Commission by hand delivery, and by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, and upon all parties of record who have not filed an e-service agreement with the Commission.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary 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 Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Sunya Anderson
Administrative Law Judge

SA:s
091947a.wpd

P.S.C. W. Va. No. 7
Canceling P.S.C. W. Va. No. 6

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public utility

OF

SUTTON, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

SEWERAGE AND SEWAGE DISPOSAL SERVICE

at Sutton and Gassaway areas of Braxton County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

RECEIVED
10 MAY 19 AM 10 1
W VA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

Issued May 4, 2010

Effective for service rendered on or after April 21, 2010
or as otherwise provided herein

Issued by authority of an Order of the
Public Service Commission of West Virginia
in Case No. 09-1947-PSWD-T final April 21, 2010
or as otherwise provided herein

Issued by FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public utility

By Rodney L. Pitt

ASST. GENERAL MANAGER
Title

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W.Va. Tariff No. 7
Original Sheet No. 1

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Sewerage Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial service and sale for resale sewer service.

RATES (customers with metered water supply)

Per thousand gallons usage per month $10.80

FLAT RATE CHARGE (Customers with non-metered water supply)

Equivalent of 3,500 gallons of water usage or $37.80

MINIMUM CHARGE

No bill will be rendered for less than $21.60 per month, which is the equivalent of 2,000 gallons of usage with a 5/8-inch meter.

(I) TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant:

A tap fee of $275.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to the applicant's premises that is associated with a certificate proceeding.

A tap fee of $275.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system

(I) Indicates increase in rates

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (Sewer)

P.S.C. W. Va. No. 7
First Revised Sheet No. 3
Cancelling Original Sheet No. 3

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in connection with a water service termination agreement with West Virginia-American Water Company a disconnection fee of $20.00 shall be charged or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with West Virginia-American Water Company, a reconnected fee of $20.00 shall be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts no paid in full when due, 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.

(O)

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$0.66 per 1,000 gallons of water to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

RECEIVED
10 MAY 28 PM 1:09
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Issued: May 25, 2010

Effective: April 21, 2010

Issued by Rodney L. Pitt

Issued by authority of an Order of the Public Service Commission of West Virginia in Case No. 09-1947-PSWD-T, final April 21, 2010.

DISCONNECT/RECONNECT/ADMINISTRATIVE FEES

Whenever water service has been disconnected for non-payment of sewer bills in connection with a water service termination agreement with West Virginia-American Water Company a disconnection fee of $20.00 shall be charged or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of a sewer bill in conjunction with a water service termination agreement with West Virginia-American Water Company, a reconnected fee of $20.00 shall be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts no paid in full when due, 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.

SURCHARGE

$0.47 per 1,000 gallons per month for a period not to exceed five (18) months from the effective date of the tariff will be charged in order to eliminate the arrearage to the Water Development Authority, Rural Utility Service, and the State Revolving Fund.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$0.66 per 1,000 gallons of water to be used when a bill reflects unusual water consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

CANCELLED APRIL 21, 2010
CASE NO. 09-1947-PSWD-T-

WEST VIRGINIA
Infrastructure & Jobs Development Council

Gov. Joe Manchin, III
Chairman

Kenneth Lowe, Jr.
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

James W. Ellars, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

August 9, 2010

Steve Sanders, General Manager
Flatwoods-Canoe Run Public Service District
P.O. Box 677
Sutton, WV 27701

Re: Flatwoods-Canoe Run PSD
Sewer Project 2003S-744a – Phase I (Revised)

Dear Mr. Sanders:

The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) has reviewed the Flatwoods-Canoe Run Public Service District's (District) revised preliminary application to extend sewer service to approximately 217 customers and upgrade/expand the existing WWTP (Project).

Based on the findings of the Sewer Technical Review Committee, the Infrastructure Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The District should carefully review the enclosed comments of the Sewer Technical Review Committee as the District may need to address certain issues raised in said comments as it proceeds with the Project.

Upon consideration of the revised preliminary application, the Infrastructure Council recommends that the District utilize a $500,000 Corps of Engineers grant, a $99,000 Governor's Partnership grant, a $68,000 Local contribution, and pursue a $8,033,000 Clean Water State Revolving Fund loan (.5%, 40 yrs) with deferred principal repayments, which has been tentatively agreed to by the West Virginia Division of Environmental Protection (DEP). Total project cost is $8,700,000. Please contact the DEP office at 304-926-0499 (X1611) for specific information on the steps the District needs to follow to apply for these funds. **Please note that this letter <u>does not</u> constitute funding approval from this agency.**

If you have any questions regarding this matter, please contact Jim Ellars at 304-558-4607 (X201).

Sincerely,

Kenneth Lowe, Jr.

Enclosure

cc: Mike Johnson, P.E., DEP (w/o enclosure) *(via e-mail)*
Fred Hypes, Dunn Engineers, Inc.
Todd Dingess, Smith, Cochran and Hicks

west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street S.E.
Charleston, WV 25304
Phone: (304) 926-0495

Earl Ray Tomblin, Governor
Randy C. Huffman, Cabinet Secretary
dep.wv.gov

January 7, 2011

Mr. John Gibson, Chairman
Flatwoods-Canoe Run PSD
PO Box 677
Sutton, West Virginia 26601

RE: Flatwoods-Canoe Run PSD
SRF # C-544316
IJDC #2003S-744

Dear Mr. Gibson:

This letter is to confirm our intention of providing of the long-term financing through the Clean Water State Revolving Fund program for the District's wastewater improvement project. The project is for extending sewer service to six unserved areas, upgrading pump & siphon stations, and upgrading and expanding the treatment plant.

We are hereby committing an amount of $8,033,000 to be issued at 0% interest, 0.5% annual administrative fee, for a term of 38 years. This loan's debt service schedule contains certain deferred principal re-payments as shown on the attachment to this letter. These loan terms are based upon the 4,000 gallon average sewer rate being equal to or greater than $41.24 (2% MHI). These funds are being provided through the base CWSRF program.

Prior to this agency giving you authorization to advertise for bids, an updated budget must be submitted showing what line items each funding source is proposed to fund (Schedule A).

If the District's bonds have not been issued to the Fund prior to July 7, 2011, it is understood that the Fund reserves the right to discontinue processing the District's application and on that day, will have no further responsibilities or obligations hereunder.

Should you have any questions, please do not hesitate to contact me at 304-926-0499, extension 1611, or John.M.Johnson@wv.gov .

Sincerely,

Mike Johnson, P.E.
Program Manager
Clean Water SRF Program

cc: Jim Ellars, P. E., WVIJDC
Samme Gee, Jackson & Kelly
Dunn Engineers, Inc.

Flatwoods Canoe Run PSD - Proposed Deferred Debt Service Schedule - January 2011

Year	1990 A WDA 11/14/1990 1,147,938 8.10%	1990 B WDA 11/14/1990 51,842 0%	1990 C USDA 11/14/1990 1,118,000 5%	1991 A WDA 11/15/1991 275,806 7.75%	1991 B WDA 11/15/1991 9,194 0%	1994 SRF 4/26/1994 2,896,000 0%	1997 SRF 2/11/1997 400,000 0% (1% admin)	EXISTING TOTAL
2010	98,067	1,364	65,880	22,314	236	144,424	20,000	352,285
2011	98,067	1,364	65,880	22,314	236	144,424	20,000	352,285
2012	98,067	1,364	65,880	22,314	236	144,424	20,000	352,285
2013	98,067	1,364	65,880	22,314	236	144,424	20,000	352,285
2014	98,067	1,364	65,880	22,314	236	144,424	20,000	352,285
2015	98,067	1,364	65,880	22,314	236		20,000	207,861
2016	98,067	1,364	65,880	22,314	236		20,000	207,861
2017	98,067	1,364	65,880	22,314	236		20,000	207,861
2018	98,067	1,364	65,880	22,314	236		5,000	192,861
2019	98,067	1,364	65,880	22,314	236			187,861
2020	98,067	1,364	65,880	22,314	236			187,861
2021	98,067	1,364	65,880	22,314	236			187,861
2022	98,067	1,364	65,880	22,314	236			187,861
2023	98,067	1,364	65,880	22,314	236			187,861
2024	98,067	1,364	65,880	22,314	236			187,861
2025	98,067	1,364	65,880	22,314	236			187,861
2026	98,067	1,364	65,880	22,313	236			187,860
2027	98,067	1,364	65,880	22,313	236			187,860
2028	98,067	1,364	65,880	22,314	236			187,861
2029	98,067	1,364	65,880	22,314	236			187,861
2030			65,880	22,313	236			88,429
2031			65,880	22,314	236			88,430
2032								0
2033								0
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2039								0
2040								0
2041								0
2042								0
2043								0
2044								0
2045								0
2046								0
2047								0
2048								0
2049								0
2050								0
2051								0
2052								0

$8,033,000 CWSRF (0%, 38 yrs)				
WRAP DSS	SRF DSS	TOTAL New Loan	Year	TOTAL Debt Service
			2010	352,285
			2011	352,285
			2012	352,285
0	57,335	57,335	2013	409,620
0	57,335	57,335	2014	409,620
144,424	57,335	201,759	2015	409,620
144,424	57,335	201,759	2016	409,620
144,424	57,335	201,759	2017	409,620
159,424	57,335	216,759	2018	409,621
164,424	57,335	221,759	2019	409,621
164,424	57,335	221,759	2020	409,620
164,424	57,335	221,759	2021	409,620
164,424	57,335	221,759	2022	409,620
164,424	57,335	221,759	2023	409,620
164,424	57,335	221,759	2024	409,620
164,424	57,335	221,759	2025	409,620
164,424	57,335	221,759	2026	409,620
164,424	57,335	221,759	2027	409,620
164,424	57,335	221,759	2028	409,620
164,424	57,335	221,759	2029	409,620
164,424	57,335	221,759	2030	310,189
164,424	57,335	221,759	2031	310,189
164,424	57,335	221,759	2032	221,759
164,424	57,335	221,759	2033	221,759
164,424	57,335	221,759	2034	221,759
164,424	57,335	221,759	2035	221,759
164,424	57,335	221,759	2036	221,759
164,424	57,335	221,759	2037	221,759
164,424	57,335	221,759	2038	221,759
164,424	57,335	221,759	2039	221,759
164,424	57,335	221,759	2040	221,759
164,424	57,335	221,759	2041	221,759
164,424	57,335	221,759	2042	221,759
164,424	57,335	221,759	2043	221,759
164,424	57,335	221,759	2044	221,759
164,424	57,335	221,759	2045	221,759
164,424	57,335	221,759	2046	221,759
164,424	57,335	221,759	2047	221,759
164,424	57,335	221,759	2048	221,759
164,424	57,335	221,759	2049	221,759
164,424	57,325	221,749	2050	221,749
				0
5,854,264	2,178,736	8,033,000		

220 EDU new customers
current rates: $43.20 / 4000 gallons

NOTE. This proposed debt service schedule with deferred principle re-payments should be used for planning purposes only. It should be considered as only a template which will be used as a guide in finalizing the final DS schedule after receipt of bids and after a formal CWSRF application is submitted.

west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street SE
Charleston, WV 25304
Phone: (304) 926-0495
Fax: (304) 926-0496

Earl Ray Tomblin, Governor
Randy C. Huffman, Cabinet Secretary
dep.wv.gov

MEMORANDUM

TO: Chris Jarrett, Executive Director
Water Development Authority
304/558-0299 [fax]

FROM: Rosalie M. Brodersen
Clean Water State Revolving Fund Program
304/926-0496 [fax]

RMB

DATE: June 3, 2011

SUBJECT: Bond Purchase Agreement for Flatwoods Canoe Run PSD
C-544316

PRE-CLOSE: June 23, 2011 1:00 p.m.

CLOSING DATE: June 24, 2011

Loan Amount	$8,033,000
Interest Rate	0%
Repayment Period	38
Administrative Fee	0.5%
Project Comp. Date	October 2012
Repayment to Begin	December 1, 2012 (as noted below)
Debt Service Schedule	March 1, 2013

Special Conditions:

1) The debt service for this loan is graduated to increase when existing revenue bonds retire. The Governmental Agency shall covenant and agree to transfer the moneys in the debt service reserve fund for the retiring revenue bonds to the debt service reserve fund for the Bonds when the existing revenue bonds are paid in full. The Governmental Agency shall covenant and agree not to use the debt service reserve fund for the existing revenue bonds for the final payment on the existing revenue bonds.

To MBC December 1, 2012: $14,085.50 Quarterly, then
March 1 2015: $50,191.50 Qtrly , then
March 1 2018: $53,941.50 Qtrly, then
March 1 2019: $55,191.50 Qtrly, then
March 1 2030:$56,841.50 Qtrly, then
March 1 2032: $78,949 Qtrly, then
March 1 2044: $21,678.50 Qtrly, then
March 1, 2045: $14,322.50 Qtrly, then
March 1 2050: $14,085.50 Qtrly (last year for repayment)

2) Closing contingent upon receipt of final title opinion.

cc: Samme Gee, Jackson & Kelly (email)
John Stump, Steptoe & Johnson (email)

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 24th day of June, 2011, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of Flatwoods-Canoe Run Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer, in the principal amount of $8,033,000 numbered AR-1 (the "Series 2011 A Bonds"), issued as a single, fully registered Bond, and dated June 24, 2011.

2. At the time of such receipt, the Series 2011 A Bonds had been executed by the Chairman and the Secretary of the Issuer by manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2011 A Bonds, of $729,008, being a portion of the principal amount of the Series 2011 A Bonds. The balance of the principal amount of the Series 2011 A Bonds will be advanced by the Authority and the West Virginia Department of Environmental Protection to the Issuer as acquisition and construction of the Project progresses.

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Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: _____
Its: Authorized Representative

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

06.02.11
292120.00003

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 24th day of June, 2011, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), in the principal amount of $8,033,000 (the "Series 2011 A Bonds"), executed by the Chairman and Secretary of Flatwoods-Canoe Run Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on June 7, 2011, and a Supplemental Resolution duly adopted by the Issuer on June 7, 2011 (collectively, the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the above-captioned Series 2011 A Bonds, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of a Bond Purchase Agreement for the Series 2011 A Bonds, dated June 24, 2011, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") (the "Bond Purchase Agreement"); and

(4) Executed opinion of nationally recognized bond counsel regarding the validity of the Bond Purchase Agreement and the Series 2011 A Bonds.

You are hereby requested and authorized to deliver the Series 2011 A Bonds to the Authority upon payment to the Issuer of the sum of $729,008, representing a portion of the principal amount of the Series 2011 A Bonds. Prior to such delivery of the Series 2011 A Bonds, you will please cause the Series 2011 A Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

[Remainder of Page Intentionally Left Blank]

Dated as of the day and year first written above.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____

Its: Chairman

06.02.11
292120.00003

5688140

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2011 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-1 $8,033,000

KNOW ALL MEN BY THESE PRESENTS: The 24th day of June, 2011, 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHT MILLION THIRTY-THREE THOUSAND DOLLARS ($8,033,000), 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 March 1, 2013 to and including December 1, 2050, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. The SRF Administrative Fee of 0.5% (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2013 as set forth on said EXHIBIT B.

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 Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Bond Purchase Agreement by and among the Issuer, the Authority and the DEP, dated June 24, 2011.

This Bond is issued (i) to pay the Issuers Sewerage Design Bond Anticipation Notes, Series 2008 (the "Prior Notes"); (ii) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public sewerage system 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 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on June 7, 2011, and a Supplemental Resolution duly adopted by the Issuer on June 7, 2011 (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) SEWER REVENUE BONDS, SERIES 1990 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(2) SEWER REVENUE BONDS, SERIES 1990 C (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS");

(3) SEWER REVENUE BONDS, SERIES 1991 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991 A BONDS");

(4) SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), DATED APRIL 26 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,896,000 (THE "SERIES 1994 BONDS"); AND

(5) SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), DATED FEBRUARY 10, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $400,000 (THE "SERIES 1997 BONDS"), (COLLECTIVELY, THE "FIRST LIEN BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT AND IN ALL RESPECTS WITH THE ISSUER'S:

(1) SEWER REVENUE BONDS, SERIES 1990 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(2) SEWER REVENUE BONDS, SERIES 1991 B (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991 B BONDS"), (COLLECTIVELY THE "SECOND 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 Series 2011 A Bonds and the First Lien Bonds and senior and prior to the Second Lien Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2011 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 2011 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 or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2011 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 or junior to 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.

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 the day and year first written above.

[SEAL]

SPECIMEN

Chairman

ATTEST:

SPECIMEN

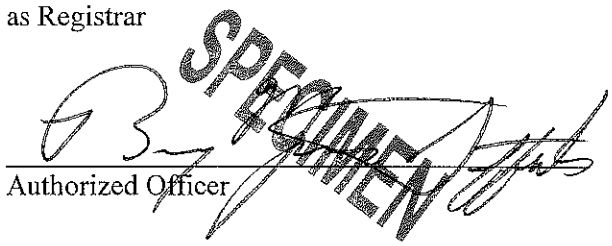
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2011 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: June 24, 2011.

THE HUNTINGTON NATIONAL BANK,
as Registrar



Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $729,008	06/24/11	(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

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate, 0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments	
3/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
6/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
9/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
12/1/2013	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	56,342.00
3/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
6/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
9/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	
12/1/2014	14,085.50		14,085.50	4,933.90	7,894.90	26,914.30	56,342.00
3/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
6/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
9/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
12/1/2015	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	200,766.00
3/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
6/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
9/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
12/1/2016	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	200,766.00
3/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
6/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
9/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	
12/1/2017	50,191.50		50,191.50	4,933.90	7,894.90	63,020.30	200,766.00
3/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30	
6/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30	
9/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30	
12/1/2018	53,941.50		53,941.50	4,933.90	7,894.90	66,770.30	215,766.00
3/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
6/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
9/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
12/1/2019	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	220,766.00
3/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
6/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
9/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
12/1/2020	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	220,766.00
3/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
6/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
9/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
12/1/2021	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	220,766.00
3/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
6/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
9/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	
12/1/2022	55,191.50		55,191.50	4,933.90	7,894.90	68,020.30	220,766.00
3/1/2023	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2023	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2023	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2023	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000
0% Interest Rate, 0.5% Administrative Fee
38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments	
3/1/2024	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2024	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2024	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2024	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2025	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2025	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2025	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2025	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2026	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2026	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2026	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2026	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2027	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2027	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2027	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2027	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2028	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2028	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2028	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2028	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2029	55,191.50		55,191.50	4,933.90		60,125.40	
6/1/2029	55,191.50		55,191.50	4,933.90		60,125.40	
9/1/2029	55,191.50		55,191.50	4,933.90		60,125.40	
12/1/2029	55,191.50		55,191.50	4,933.90		60,125.40	220,766.00
3/1/2030	56,841.50		56,841.50	4,933.90		61,775.40	
6/1/2030	56,841.50		56,841.50	4,933.90		61,775.40	
9/1/2030	56,841.50		56,841.50	4,933.90		61,775.40	
12/1/2030	56,841.50		56,841.50	4,933.90		61,775.40	227,366.00
3/1/2031	56,841.50		56,841.50	4,933.90		61,775.40	
6/1/2031	56,841.50		56,841.50	4,933.90		61,775.40	
9/1/2031	56,841.50		56,841.50	4,933.90		61,775.40	
12/1/2031	56,841.50		56,841.50	4,933.90		61,775.40	227,366.00
3/1/2032	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2032	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2032	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2032	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2033	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2033	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2033	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2033	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2034	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2034	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2034	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2034	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00

PAYMENT SCHEDULE
Flatwoods Canoe Run PSD
$8,033,000
0% Interest Rate, 0.5% Administrative Fee
38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments	
3/1/2035	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2035	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2035	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2035	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2036	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2036	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2036	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2036	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2037	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2037	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2037	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2037	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2038	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2038	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2038	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2038	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2039	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2039	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2039	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2039	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2040	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2040	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2040	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2040	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2041	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2041	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2041	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2041	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2042	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2042	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2042	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2042	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2043	78,949.00		78,949.00	4,933.90		83,882.90	
6/1/2043	78,949.00		78,949.00	4,933.90		83,882.90	
9/1/2043	78,949.00		78,949.00	4,933.90		83,882.90	
12/1/2043	78,949.00		78,949.00	4,933.90		83,882.90	315,796.00
3/1/2044	21,687.50		21,687.50	4,933.90		26,621.40	
6/1/2044	21,687.50		21,687.50	4,933.90		26,621.40	
9/1/2044	21,687.50		21,687.50	4,933.90		26,621.40	
12/1/2044	21,687.50		21,687.50	4,933.90		26,621.40	86,750.00
3/1/2045	14,322.50		14,322.50	4,933.90		19,256.40	
6/1/2045	14,322.50		14,322.50	4,933.90		19,256.40	
9/1/2045	14,322.50		14,322.50	4,933.90		19,256.40	
12/1/2045	14,322.50		14,322.50	4,933.90		19,256.40	57,290.00

PAYMENT SCHEDULE

Flatwoods Canoe Run PSD

$8,033,000

0% Interest Rate, 0.5% Administrative Fee

38 Years

Date	Principal	Interest	Total Debt Service	Admin Fee	Reserve Fund	Total Payments

3/1/2046	14,322.50	14,322.50	4,933.90		19,256.40	
6/1/2046	14,322.50	14,322.50	4,933.90		19,256.40	
9/1/2046	14,322.50	14,322.50	4,933.90		19,256.40	
12/1/2046	14,322.50	14,322.50	4,933.90		19,256.40	57,290.00
3/1/2047	14,322.50	14,322.50	4,933.90		19,256.40	
6/1/2047	14,322.50	14,322.50	4,933.90		19,256.40	
9/1/2047	14,322.50	14,322.50	4,933.90		19,256.40	
12/1/2047	14,322.50	14,322.50	4,933.90		19,256.40	57,290.00
3/1/2048	14,322.50	14,322.50	4,933.90		19,256.40	
6/1/2048	14,322.50	14,322.50	4,933.90		19,256.40	
9/1/2048	14,322.50	14,322.50	4,933.90		19,256.40	
12/1/2048	14,322.50	14,322.50	4,933.90		19,256.40	57,290.00
3/1/2049	14,322.50	14,322.50	4,933.90		19,256.40	
6/1/2049	14,322.50	14,322.50	4,933.90		19,256.40	
9/1/2049	14,322.50	14,322.50	4,933.90		19,256.40	
12/1/2049	14,322.50	14,322.50	4,933.90		19,256.40	57,290.00
3/1/2050	14,085.50	14,085.50	4,933.90		19,019.40	
6/1/2050	14,085.50	14,085.50	4,933.90		19,019.40	
9/1/2050	14,085.50	14,085.50	4,933.90		19,019.40	
12/1/2050	14,085.50	14,085.50	4,933.90		19,019.40	56,342.00
	8,033,000.00	**8,033,000.00**	**749,952.80**	**315,796.00**	**9,098,748.80**	8033000

(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: _____, 20___.

_____

In the presence of:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

June 24, 2011

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

Flatwoods-Canoe Run Public Service District
Sutton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of
Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Flatwoods-Canoe Run Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $8,033,000 Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a Bond Purchase Agreement dated June 24, 2011, including all schedules and exhibits attached thereto (the "Bond Purchase Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Bond Purchase Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2013 to and including December 1, 2050 all as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Bonds. The SRF Administrative Fee of 0.5% shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year commencing March 1, 2013 as set forth in the "Schedule Y" attached to the Bond Purchase Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying the Issuer's Sewerage Design Bond Anticipation Notes, Series 2008 (the "Prior Notes"); (ii) paying a portion of the costs of acquisition and construction of improvements and extensions

to the existing public sewerage system of the Issuer (the "Project"); and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 7, 2011, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 7, 2011 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Bond Purchase Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Bond Purchase Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Bond Purchase Agreement when used herein.

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

1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Bond Purchase Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the DEP and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or the DEP or diminish the obligations of the Issuer without the written consent of the Authority and the DEP.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 and Exhibit E of the Bond Purchase Agreement.

The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Issuer's: (i) Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds"); (ii) Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds); (iii) Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991 A Bonds"); (iv) Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,0000 (the "Series 1994 Bonds"); (v) Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000 (the "Series 1997

Bonds") (collectively, the "First Lien Bonds"). There are outstanding obligations of the Issuer which will rank junior and subordinate to the Series 2011 A Bonds as to liens, pledges of and security for payment, being the Issuers: (i) Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds"); and (ii) Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991 B Bonds") (collectively, the "Second Lien Bonds" and collectively with the First Lien Bonds the "Prior Bonds") all in accordance with the terms of the Bonds and the Bond Legislation.

4. The Bonds are, under the Act, exempt from taxation by the State of West Virginia and the other taxing bodies of the State, and the interest on the Bonds, if any, is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

5. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

6. With proceeds from the Series 2011 A Bonds, the Prior Notes have been paid in full, and the covenants, agreements and other obligations of the Issuer to the owners of such Note have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the receipt of payment from the owners of such Note that they have received payment for the entire outstanding principal of such Note and all interest accrued thereon on the date hereof and that such Note has been paid in full.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Bond Purchase Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion and the application of equitable remedies in appropriate cases.

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

Very truly yours,

STEPTOE & JOHNSON PLLC

06.03.11
292120.00003

5688137

H. Wyatt Hanna III
Attorney at Law

H. Wyatt Hanna, III WV State Bar No. 1579

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(304) 744-3150 • Fax (304) 744-3157

June 24, 2011

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

Flatwoods-Canoe Run Public Service District
Sutton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of Environmental Protection
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Flatwoods-Canoe Run Public Service District, a public service district, in Braxton County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, a Bond Purchase Agreement for the Series 2011 A Bonds dated June 24, 2011, including all schedules and exhibits attached thereto, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection ("DEP"), the Bond Resolution duly adopted by the Issuer on June 7, 2011, as supplemented by the Supplemental Resolution duly adopted by the Issuer on June 7, 2011 (collectively, the "Bond Legislation"), orders of The County Commission of Braxton County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (collectively, the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Bond Purchase Agreements when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.

2. The Bond Purchase Agreements have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

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

5. The execution and delivery of the Bonds and the Bond Purchase Agreements and the consummation of the transactions contemplated by the Bonds, the Bond Purchase Agreements and the Bond Legislation and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. The Issuer has received a Recommended Decision entered April 1, 2010 which became Final Order on April 21, 2010 from the Public Service Commission of West Virginia in Case No. 09-1947-PSWD-T necessary for the implementation of rates and charges, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of a resolution prescribing such rates and charges, the time for appeal of which has expired prior to the date hereof without successful appeal.

7. I am of the opinion that the Issuer has received all orders and approvals from the Public Service Commission of West Virginia ("PSC"), including the Recommended Decision dated August 4, 2009 which became a Final Order on August 24, 2009 and a Commission Order dated February 4, 2011 in Case Nos. 08-2081-PSD-CN and 09-0804-PSD-SCN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the Commission Orders has expired prior to the date hereof. All Orders remain in full force and effect.

8. To the best of my knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Purchase Agreements, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

9. Prior to construction, I will ascertain that all successful bidders have provided the drug-free workplace affidavit, submitted their drug free workplace plan, and the contracts contain language that complies with the Drug Free Workplace Act, Article 1D, Chapter 21 of the West Virginia Code. I will also ascertain, based upon my review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interests of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Bond Legislation and the Bond Purchase Agreements; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,

H. Wyatt Hanna, Esquire

292120.00003

5688135

H. Wyatt Hanna III
Attorney at Law

H. Wyatt Hanna, III WV State Bar No. 1579

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June 24, 2011

Flatwoods-Canoe Run PSD
Sutton, WV

WV Water Development Authority
Charleston, WV

WV Department of Environmental Protection
Charleston, WV

Steptoe & Johnson PLLC
Charleston, WV

RE: Flatwoods-Canoe Run PSD
Sewer Revenue Bonds, Series 2011-A
(WV SRF Program)

FINAL REAL PROPERTY TITLE OPINION

Ladies and Gentlemen:

I represent Flatwoods-Canoe Run Public Service District, a public service district, in Braxton County, West Virginia ("District"), with regard to the above referenced project. This Final Real Property Title Opinion is being provided to you to satisfy certain requirements of your agency with regard to the District's sewer extension project. As such, please be advised of the following:

1. That I have investigated and ascertained the location of, and am familiar with the legal description of the necessary sites, including easements and/or rights-of-way for the project as described in Plans and Specifications prepared by Dunn Engineers, Inc., of Charleston, West Virginia.

2. That I have examined the necessary records on file in the Office of the Clerk of the County Commission of Braxton County, West Virginia, the county in which this project is to be located, and, in my opinion, the District has legal title or such other estate or interest in the necessary site components for the above referenced project, including easements and/or rights-of-way, sufficient to assure undisturbed use and possession for the purpose of construction, operation, and maintenance for the estimated life of the facilities to be constructed.

3. That the District has obtained 100% of the necessary easements, rights of way and real property sites for this project. All deeds or other documents which have been acquired by the District have been recorded in the Office of the Clerk of the County Commission of Braxton County, West Virginia, in order to protect the title and interest of the District.

4. That I have been advised by Dunn Engineers, Inc., the consulting engineer for the District, that all of the necessary permits as may be required by governing authorities have been or will be acquired without delay to the construction of this project.

If you should have any questions regarding this matter or any of the information contained in this letter, please do not hesitate to contact me.

Sincerely,

H. Wyatt Hanna, III

HWHIII/rb

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. BOND PURCHASE AGREEMENT
11. INSURANCE
12. VERIFICATION OF SCHEDULE
13. RATES
14. PUBLIC SERVICE COMMISSION ORDER
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19. CONFLICT OF INTEREST
20. GRANTS
21. CLEAN WATER ACT
22. PROCUREMENT OF ENGINEERING SERVICES
23. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Flatwood Canoe Run Public Service District in Braxton County, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify this 24th day of June, 2011 in connection with the Issuer's Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), dated the date hereof (the "Series 2011 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted June 7, 2011, and the Supplemental Resolution duly adopted June 7, 2011 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition or construction of the Project, the operation of the System, the receipt of Grant proceeds or the Net Revenues, or in any way contesting or affecting the validity of the Bonds or the Grants, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, the pledge or application of moneys and security or the collection of the Gross Revenues or the pledge of the Net Revenues as security for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the Bond Purchase Agreement, and the Issuer has met all conditions prescribed in the Bond Purchase Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

Upon payment of the Series 2008 Notes, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2011 A Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds"); (ii) Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds); (iii) Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991 A Bonds"); (iv) Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000 (the "Series 1994 Bonds"); and (v) Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000 (the "Series 1997 Bonds") (hereinafter collectively, the "First Lien Bonds").

There are outstanding obligations of the Issuer which will rank junior and subordinate to the Series 2011 A Bonds as to liens, pledge of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds"); and (ii) Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991 B Bonds") (hereinafter collectively, the "Second Lien Bonds" and collectively with the First Lien Bonds, the "Prior Bonds").

The Issuer has obtained (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Lien Bonds are met; and (ii) the written consent of the Holders of the First Lien Bonds to the issuance of the Series 2011 A Bonds on a parity with the First Lien Bonds; and (iii) the written consent of the Holder of the Second Lien Bonds to the issuance of the Series 2011 A Bonds senior and prior to the Second Lien 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 all the covenants of the Prior Bonds and the Prior Resolutions.

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

Bond Resolution

Supplemental Resolution

Bond Purchase Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating the District and Public Service Commission Order relating thereto

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

NPDES Permit

Department of Environmental Protection Approval of Plans and Specifications

Prior Resolutions

Evidence of Insurance

Consent of Water Development Authority

Consent of United States Department of Agriculture

Evidence of Grants

Receipt and Release of Prior Notes

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Flatwood 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:

Name	Date of Commencement of Office	Date of Termination of Office
John Gibson	August 3, 2007	June 30, 2013
Scott Ratliff	November 7, 2008	June 30, 2014
Laverne Tonkin	June 18, 2010	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 2011 are as follows:

Chairperson	-	John Gibson
Secretary	-	Scott Ratliff

The duly appointed and acting counsel to the Issuer is H. Wyatt Hanna, Esquire, South Charleston, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation and Bond Purchase Agreement is in full force and effect.

10. BOND PURCHASE AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the respective Bond Purchase Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Bond Purchase Agreement do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the dates of the Bond Purchase Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Bond Purchase Agreement not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations in the Bond Purchase Agreement.

The Issuer will serve the additional customers at the location(s) as set forth in Certificate of Engineer. The Issuer will not reduce the amount of additional customers served by the project without the prior written approval of the Board of the Water Development Authority. Following completion of the Project the Issuer will certify to the Authority the number of customers added to the System.

The Issuer shall notify the Authority and the Council of any proposed bond indebtedness secured by the revenues of the System.

11. INSURANCE. The Issuer will maintain or, as appropriate, will require all contractors to maintain worker's compensation, public liability, property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Bond Legislation and the Bond Purchase Agreement. All insurance for the System required by the Bond Legislation and the Bond Purchase Agreement are in full force and effect.

12. VERIFICATION OF SCHEULE: The final Schedule B attached to the Certificate of Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bonds.

13. RATES: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia entered April 1, 2010 which became Final Order on April 21, 2010 in Case No. 09-1947-PSWD-T, approving the rates and charges for the services of the System. The Issuer has adopted a resolution prescribing such rates and charges.

14. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Recommended Decision dated August 4, 2009, which became Final Order on August 24, 2009 in Case No. 09-0804-PSD-CN, and the Commission Order entered February 4, 2011 in Case Nos. 08-2081-PSD-CN and 09-0804-PSD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project. The time for appeal of the Orders has expired prior to the date hereof.

15. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, numbered AR-1, dated the date hereof, by his or her manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Bond Purchase Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

16. BOND PROCEEDS: On the date hereof, the Issuer received $729,008 from the Authority and the DEP, being a portion of the principal amount of the Series 2011 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

17. PUBLICATION OF NOTICE OF PSC FILING: The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, and the filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended.

18. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimen of the Bonds.

19. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

20. GRANTS: On the date hereof, the grant from the U.S. Corps of Engineers in the amount of $500,000, the State grant in the amount of $99,000, and the local contribution in the amount of $20,000 are in full force and effect.

21. CLEAN WATER ACT: The Project as described in the Bond Resolution complies with Sections 208 and 303(e) of the Clean Water Act.

22. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

23. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Blank]

WITNESS our signatures and the official seal of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
_____	Chairman
_____	Secretary
_____	Counsel to Issuer

06.02.11
292120.00003

WITNESS our signatures and the official seal of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
_____	Chairman
_____	Secretary
_____	Counsel to Issuer

06.02.11
292120.00003

5688138

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

ENGINEER'S CERTIFICATE

I, F. Wayne Hypes, Registered Professional Engineer, West Virginia License No. 10949, of Dunn Engineers, Inc., Charleston, West Virginia, hereby certify this 24th day of June, 2011 as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public sewerage system (the "System") of Flatwoods-Canoe Run Public Service District (the "Issuer"), to be constructed primarily in Braxton County, West Virginia, which acquisition and construction are being financed by the proceeds of the above-captioned bonds (collectively, the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution, duly adopted by the Issuer on June 7, 2011, as supplemented by the Supplemental Resolution duly adopted by the Issuer on June 7, 2011, the Bond Purchase Agreement for the Series 2011 A Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP"), dated June 24, 2011 (the "Bond Purchase Agreement").

2. The Bonds are being issued for the purposes of (i) paying the Issuer's Sewerage Design Bond Anticipation Notes, Series 2008 (the "Prior Notes"); (ii) paying a portion of the costs of acquisition and construction of the Project; and (iii) paying costs of issuance and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the DEP and the Authority and any change orders approved by the Issuer, the DEP and the Authority and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 40 years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A and in reliance upon the opinion of Issuer's counsel, H. Wyatt Hanna, Esquire, of even date herewith, all successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the Authority and the bid forms provided to the bidders contain the critical operational components of the Project; (vi) the successful bidders have provided the Drug-Free Workplace Affidavit as evidence of compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code; (vii) the successful bids include prices for every item on such bid forms; (viii) the uniform bid procedures were followed; (ix) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the

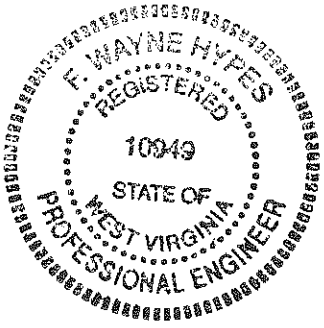
operation of the System; (x) in reliance upon the certificate of the Issuer's certified public accountant, Smith, Cochran & Hicks P.L.L.C., of even date herewith, the rates and charges for the System as adopted by the Issuer and approved by the West Virginia Public Service Commission will be sufficient to comply with the provisions of the Bond Purchase Agreement; (xi) the net proceeds of the Bonds, together with all other monies on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP and the Authority; and (xii) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

4. The Project has been designed to, and the construction contracts provide for, sewer service for up to 200 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run and Chemical Town areas of Braxton County.

[Remainder of Page Intentionally Blank]

WITNESS my signature and seal on the day and year first written above.

(SEAL)



DUNN ENGINEERS, INC.

F. Wayne Hypes, P.E.
West Virginia License No. 10949

02.14.11
292120.00003

SCHEDULE B
Flatwoods-Canoe Run PSD
C-544316
5/31/2011 rev 0

		Total Project	SRF Loan	COE Grant	GCPG	Local
A. Cost of Project						
1.	Construction					
	a. Contract 1 (Breckenridge)	2,244,000.00	2,244,000.00	0.00	0.00	0.00
	b. Contract 2 (Upton)	3,558,335.00	3,558,335.00	0.00	0.00	0.00
	c. Contract 3 (Mendon)	829,000.00	386,000.00	443,000.00	0.00	0.00
	d. Construction - Power to Site	100,000.00	100,000.00	0.00	0.00	0.00
	e. Equipment	147,564.97	50,279.00	0.00	97,285.97	0.00
2	Technical Services (Dunn)					
	a. Planning	0.00	0.00	0.00	0.00	0.00
	b. Design	59,689.00	59,689.00	0.00	0.00	0.00
	c. Construction Basic Services	72,000.00	72,000.00	0.00	0.00	0.00
	d. Inspection Services	360,500.00	360,500.00	0.00	0.00	0.00
	e. Special Services	97,904.00	97,904.00	0.00	0.00	0.00
3	a. Administration (Region VII)	50,000.00	50,000.00	0.00	0.00	0.00
	b. COE Administration	57,000.00	0.00	57,000.00	0.00	0.00
4	DOH Inspection / Bond	25,000.00	25,000.00	0.00	0.00	0.00
5	Miscellaneous	0.00	0.00	0.00	0.00	0.00
6	Lands & ROWs	0.00	0.00	0.00	0.00	0.00
7	Accounting	16,750.00	16,750.00	0.00	0.00	0.00
8	Legal (Hanna)	46,500.00	46,500.00	0.00	0.00	0.00
9	Contingency 5.00%	331,567.00	331,567.00	0.00	0.00	0.00
10	Design Loan - Cost of Financing	0.00	0.00	0.00	0.00	0.00
11	Bank Loan Payoff	626,190.03	604,476.00	0.00	1,714.03	20,000.00
12	Sub Total (Lines 1 through 10)	8,622,000.00	8,003,000.00	500,000.00	99,000.00	20,000.00
B. Cost of Financing						
13	Registrar Fee	500.00	500.00	0.00	0.00	0.00
14	Reserve Fund	0.00	0.00	0.00	0.00	0.00
15	Bond Counsel	29,500.00	29,500.00	0.00	0.00	0.00
16	Cost of Financing	30,000.00	30,000.00	0.00	0.00	0.00
17	Total Project Cost (Line 12 plus Line 16)	**8,652,000.00**	**8,033,000.00**	**500,000.00**	**99,000.00**	**20,000.00**
C. Sources of Funds						
18	Federal grants (COE)	500,000.00	0.00	500,000.00	0.00	0.00
19	State Grants	99,000.00	0.00	0.00	99,000.00	0.00
20	Other Grants	20,000.00	0.00	0.00	0.00	20,000.00
21	Total Grants	619,000.00	0.00	500,000.00	99,000.00	20,000.00
22	Size of Bond Issue (Line 17 minus Line 21)	**8,033,000.00**	**8,033,000.00**	**0.00**	**0.00**	**0.00**

Flatwoods-Canoe Run PSD — Date 6/7/11

Dunn Engineers — Date 6/7/11

SCH
Smith, Cochran & Hicks, P.L.L.C.
Certified Public Accountants Oak Hill Charleston Montgomery
405 Capitol Street • Suite 908 • Charleston, WV 25301 • 304-345-1151 • Fax 304-346-6731

June 24, 2011

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

Flatwoods-Canoe Run Public Service District
Sutton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of Environmental Protection
Charleston, West Virginia

Based upon the Recommended Decision entered April 1, 2010 which became a Final Order on April 21, 2010 of the Public Service Commission of West Virginia in Case No. 09-1947-PSWD-T, and projected operation and maintenance expenses and anticipated 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 sewerage system (the "System") of the Issuer, will (i) 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 115% of the maximum amount required in any Fiscal Year for payment of principal of and interest on the (a) Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), dated June 24, 2011, issued in the aggregate principal amount of $8,033,000, (the "Series 2011 A Bonds") and all other obligations secured by or payable from such revenues, including the Issuer's: (i) Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds"); (ii) Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds); (iii) Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1992, issued in the original aggregate principal amount of $275,806 (the "Series 1991 A Bonds"); (iv) Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000 (the "Series 1994 Bonds"); (v) Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000 (the "Series 1997 Bonds") (vi) Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds"); and (vii) Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991 B 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 2011 A Bonds are issued will not be less than 120% of the average annual debt service on the Series 2011 A Bonds and the Prior Bonds and that (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2011 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2011 A Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Series 2011 A Bonds and the Prior Bonds.

Very truly yours,

Smith Cochran & Hicks

SMITH, COCHRAN & HICKS P.L.L.C.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairman of the Public Service Board of Flatwoods-Canoe Run Public Service District in Braxton County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $8,033,000 Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer, dated June 24, 2011 (the "Bonds"), hereby certify this 24th day of June, 2011 as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution duly adopted by the Issuer on June 7, 2011 as supplemented by Supplemental Resolution duly adopted by the Issuer on June 7, 2011 (collectively, the "Bond Resolution"), authorizing the Bonds.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on June 24, 2011, the date on which the Bonds are being physically delivered in exchange for an initial advance of $729,008, being a portion of the principal amount of the Series 2011 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Department of Environmental Protection (the "DEP"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2011 A Bonds were sold on June 24, 2011, to the Authority, pursuant to a Bond Purchase Agreement dated June 24, 2011, by and among the Issuer, the Authority and the DEP, for an aggregate purchase price of $8,033,000 (100% of par), at which time, the Issuer received $729,008

from the Authority and the DEP, being the first advance of the principal amount of the Series 2011 A Bonds. No accrued interest has been or will be paid on the Series 2011 A Bonds. The balance of the principal amount of the Series 2011 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2011 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying the Issuer's Sewerage Design Bond Anticipation Notes, Series 2008 (the "Prior Notes"); (ii) paying a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (iii) paying certain costs of issuance and related costs.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the Project, constituting a substantial binding commitment. The acquisition and construction of the Project and the allocation of the net sale proceeds of the Bonds to expenditures of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds deposited in the Series 2011 A Bonds Reserve Account, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before October 1, 2012. The acquisition and construction of the Project is expected to be completed by April 1, 2012.

8. The total cost of the Project is estimated at $8,652,000. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2011 A Bonds	$8,033,000.00
U.S Corps of Engineers Grant	$500,000.00
State Grant	$99,000.00
Local Grant	$20,000.00
Total Sources	$8,652,000.00

USES

Costs of Acquisition and Construction of the Project	$7,995,809.97
Payment of Prior Notes	$626,190.03
Costs of Issuance	$30,000.00
Total Uses	$8,652,000.00

9. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2011 Bonds:

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

(2) Renewal and Replacement Fund (established by Prior Resolution);

(3) Series 2011 A Bonds Construction Trust Fund;

(4) Series 2011 A Bonds Sinking Fund; and

(5) Series 2011 A Bonds Reserve Account.

10. Pursuant to Article VI of the Bond Resolution, the proceeds of the Bonds will be deposited as follows:

(1) Series 2011 A Bond proceeds in the amount of $-0- will be deposited in the Series 2011 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Series 2011 A Bonds during acquisition and construction of the Project and for a period not to exceed six months following completion thereof.

(2) Series 2011 A Bonds proceeds in the amount of $-0- will be deposited in the Series 2011 A Bonds Reserve Account.

(3) Series 2011 A Bonds proceeds in the amount of $604,476 shall be deposited with Branch Banking & Trust Company, Charleston, West Virginia to pay a portion of the outstanding principal balance of and all accrued interest on the Issuer's Sewerage System Bond Anticipation Notes, Series 2008 (the "Prior Notes") at Closing. The Issuer shall wire $21,714.03 ($20,000 from the Local contribution and $1,714.03 from the Governor's Partnership Grant) to pay a portion of the Prior Notes.

(4) The balance of the proceeds of the Series 2011 A Bonds will be deposited in the Series 2011 A Bonds Construction Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2011 A Bonds and related costs.

11. Monies held in the Series 2011 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2011 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2011 A Bonds Sinking Fund and Series 2011 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2011 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

12. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. The acquisition and construction of the Project is expected to be completed within 9 months of the date hereof.

13. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

14. With the exception of the the amount deposited in the Series 2011 A Bonds Sinking Fund for payment of interest, if any, on the Bonds and the amount deposited in the Series 2011 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 15 months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

16. The amount designated as costs of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

17. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

18. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

19. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

20. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

21. The Bonds are not federally guaranteed.

22. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain public purpose bonds.

23. The Issuer has either (a) funded the Series 2011 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2011 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2011 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Monies in the Series 2011 A Bonds Reserve Account and the Series 2011 A Bonds Sinking Fund will be used solely to pay principal of and interest on each series of the Bonds and will not be available to pay costs of the Project.

24. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

25. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

26. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

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

[Remainder of Page Intentionally Blank]

WITNESS my signature on the day and year first written above.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

06.02.11
292120.00003

5688151

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

743	State Auditor	Social Security Oct.,Nov.,Dec.,1966	[illegible]
744	Director of Internal Revenue	Withholding, Oct.,Nov., Dec., 1966	[illegible]
745	State Tax Commissioner	State Tax, Oct.,Nov.,Dec., 1966	[illegible]
746	W.Va. Publ Employ Ret. System	Employee Contribution	[illegible]
747	W.Va. Publ.Employ Ret. System	Employer Contribution	[illegible]
748	M. O. Given	Coroners Fee	[illegible]
749	Merlene Campbell	Extra Help,Cir. Clerk less 2.52 SS	[illegible]
750	Forrest Groves	Jury Commissioner	[illegible]
751	Joseph Gregory	Jury Commissioner	[illegible]
752	Henry R Hardesty, Inc.	Insurance for Sheriff	[illegible]
753	Shirley Conrad	Extra Help, Election	[illegible]
754	Richard Gibson	Mileage	[illegible]
755	Edward Heinick	Mileage	[illegible]
756	William M. Kidd	Copy of Marriage	[illegible]
757	William W. Jack	Postage	[illegible]
758	Braxton Central	Printing	[illegible]
759	Braxton Democrat	Printing	[illegible]

//

No further business coming before the Court they do now adjourn to meet January 3, 1967.

Herbert Moore President

JANUARY 3, 1967

The County Court sat pursuant to their last regular meeting of December 22, 1966.

Present, Herbert Moore, Aubrey Robertson and Berk D. Marple.

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

//

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

//

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

//

A motion was made seconded and voted on to buy a 1963 Mercury Comet car from Bruce Stutler for $1600.00. Pay him $25.00 rent per month until July and the amount paid for rent to be deductible from the $1600.00 and the balance paid in July.

//

Aubrey C. Robertson was elected a member of the Braxton County Planning Commission.

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The County Court set February 1, 2, 3, 6, 7, 10, 13 and 14th to meet as a Board of Equalization. Any assessment made by the Assessor and not objected to at their meetings will be final after adjournment of the Board.

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IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

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

WHEREAS, on the 10th day of December, 1966, came Jenliver J. Jones, Attorney at Law, and presented a Petition of approximately one hundred fifteen, (115), legal voters resident within the limits of the proposed Canoe Run Public Service District, and moved the Court to file said Petition and to fix a date of hearing in Braxton County, West Virginia on the creation of the proposed public service district: and,

WHEREAS, and being proper so to do, this Court on the 10th day of December, 1966 unanimously sustained said motion, and also on its own motion, ordered the Clerk of this Court to have published at lowest once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia stating, in part and in substance, that the public hearing before this Court would be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 3rd day of January, 1967, starting at 1:00 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed public service district, for or against its creation, and at said hearing this Court would consider and determine the feasibility of the creation of the proposed public service district and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area: and,

WHEREAS, the Clerk of this Court caused to have published in the Braxton Democrat, in the issues of December 15th and 22nd, 1966 the following notice, namely:

"LEGAL PUBLICATION

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

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

You are hereby notified that pursuant to an order entered on the 10th day of December 1966, by the County Court of Braxton County, West Virginia, the County Court of Braxton County, West Virginia will hold a public hearing in the Courthouse at Sutton in Braxton County, West Virginia starting at 1:00 o'clock p.m., on the 3rd day of January 1967, for the purpose of hearing any and all persons residing, or owning or having any interest in property, in the proposed public service district, for or against its creation, and at said hearing said County Court shall consider and determine the feasibility of the creation of the proposed district and shall determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvement, and extension of public service properties by such public service district will be conducive to the preservation of public health, comfort and convenience of such area: that a Petition was officially filed with said County Court on the 10th day of December, 1966 of approximately one hundred fifteen (115) legal voters resident within the owning real property within the limits of the proposed public service district; that the territory to be embraced within said proposed public service

commencing at the Town of Gassaway immediately adjacent to the area in said Town of Gassaway immediately adjacent to the area in said Town of Gassaway presently serviced by the West Virginia Water Service Company, the centerline to be Elk River and extending on each side of Elk River for a distance of two miles, and going upstream of said Elk River through a portion of said Otter District to and terminating at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, or its successor in title and in name.

Given under my hand this 10th day of December, 1966.

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

Dc Dec. 15-22"; and,

WHEREAS, this Court convened on this the 3rd day of January, 1967, at one of its regular sessions, and starting at 1:00 o'clock, P.M. proceeded to 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 Canoe Run Public Service District; that the territory to be embraced within said public service district is located in the magisterial district of Otter in Braxton County, West Virginia, commencing at the Town of Gassaway immediately adjacent to the area in said Town of Gassaway presently serviced by West Virginia Water Service Company, the center line to be Elk River, and extending on each side of Elk River for a distance of two miles, and going upstream of said Elk River through a portion of said Otter Magisterial District, to and terminating at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, or its successor in title and name. That said Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia so made and provided therefor; and that said Canoe Run Public Service District, in compliance with Chapter 16, Article 13-A, Section 3, (Michie's Code Serial Section 1409 (3EC)) shall be from the date hereof a public corporation and political subdivision of the State of West Virginia with power of perpetual succession.

//

IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

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

On the 3rd day of January, 1967, at one of its regular sessions, and after this Court had by a prior order created the Canoe Run Public Service District, this Court enquired of and 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 Perris Brady of Gassaway, William Abrussine of Gassaway, and Wallace Clouser of Gassaway, be appointed such board members.

It is therefore, ordered that Perris Brady, William Abruzzino, and Wallace Clowser, be, and hereby are, appointed board members of the Canoe Run Public Service District, and that Wallace Clowser shall serve for a term of two years, and that William Abruzzino shall serve for a term of four years, and that Perris Brady shall serve for a term of six years as such board members of said district, all starting on the first day of January 1967, for their respective terms of office; and that said three members of said board shall meet at the office of the Clerk of the County Court of Braxton County, West Virginia as soon as practicable after this appointment and shall qualify by taking the oath of office as provided by law.

//

The Court re-approved the budget of the County Clerk originally approved by the Court for fiscal year starting July 1966, said budget approved a $30.00 per month raise for office deputies of said Clerk's Office. Said budget was approved for the remainder of the 1966-67 fiscal year, after a letter was read from the State Tax Commissioner approving this. The raise originally approved by the Court had not been taken. Letter from the Tax Commissioner is as follows: This would make a salary of $375.00 per month.

Mr. William W. Jack, Clerk
Braxton County Court
Sutton, W. Va.

Dear Mr. Jack

This will acknowledg receipt of your letter dated December 27, 1966, relative to the revision of your Levy Estimate (Budget) for the fiscal year 1966-67. You wish to make the following revisions; Decrease: Item 26, Courthouse expense, $400.00; Item 28, Furniture and Pictures, $1,000; Item 39, Telephone and Telegraphs, $500; Item 44, Lunacy, $500; Increase Item 2, Deputy Clerk County Court, Assistants and Employees, $1200; Item 8, Deputy Sheriffs, Assistants and Employee $1200.

Under the provisions of Chapter 11, Article 8, Sections 14b, 26 and 26a, of the West Virginia Code, as amended, the Tax Commissioner may authorize the revisions of the annual approved Levy Estimates to permit expenditures for purposes for which no, or insufficient, appropriation was made in the original Levy Estimate. In view of these provisions of the Code, this department will not disturb the proposed use of funds, provided such expenditures are made in good faith, and further provided such expenditures do not create a deficit for the Braxton County Court for the fiscal year ending June 30, 1967.

Very truly yours,

Fairfax Brown, Director
Assessment and Levies.

//

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

760	Hall & McChesney	Fund Plex Recording and storage	89.22
761	Jack Insurance Agency	Premium on Bonds	884.00
762	Charles W. Clayton	Mileage	35.20
763	William W. Jack	Postage	17.25
764	Ruby L. Holland	Mileage	19.38
765	Kyer Insurance Agency	Insurance Premium	81.00
766	Braxton Co. Health Dept.	Transfer of Funds	255.00
767	Eugene Passmire "	Per Diem 12/10 & 22, 1966	4.00
768	Herbert Moore	Per Diem " " " "	4.00
769	Beatrice Given	Per Diem " " " "	4.00

I John J. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 14 at page No. 289

Given under my hand and the seal of said Commission this 16th day of October, 19 90.

John J. Jordan Clerk
Braxton County Commission

[redacted]

[redacted]

[illegible] Vide Book [illegible] 15/413

MAY 29, 1967

At a Special Meeting of the County Court of Braxton County, West Virginia on the 29th day of May, 1967, all members in attendance.

//

Resolved that the Court accept the bid for the construction of the Braxton County Airport by Kanton Meadows Co. a corporation and Meadows Stone and Paving, a corporation submitted December 22, 1966, which acceptance of bid is subject to the approval of the F. A. A. and further subject to the wage division dated February 2, 1967 and designated A. G. 7440.

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

//

It is ordered this Court do now adjourn to meet June 6, 1967.

Herbert Moore President

JUNE 6, 1967

The County Court met pursuant to their last meeting of May 29, 1967.

Present, Herbert Moore, President, Aubrey Robertson and B. D. Marple, Commissioners.

//

The minutes of the last meeting were read and approved.

//

All bills were approved as presented.

//

The County Court allowed the Janitor, Paul Goldsmith, an additional $30.00 per month salary.

//

The Home National Bank of Sutton, W. Va. and the Bank of Gassaway, Gassaway, W. Va. were approved as County Depositories and their bonds were approved as to sufficient form and amounts and ordered recorded and filed.

//

The County Court agreed to pay the Orkin Exterminating Co., Inc. for service a year at a time and receive a 5% discount.

//

The Court approved the Sheriffs' Delinquent List for Real Estate and Personal Property.

//

The Clerk of this Court having on the 16th day of May, 1967, and during a recess of the regular term of this Court qualified Dice Steele for appointment as Notary Public in and for the County of Braxton, and the said Dice Steele having given bond as required by law and there being no objections thereto the same is confirmed by this Court.

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IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
FLATWOODS PUBLIC SERVICE DISTRICT

On the 6th day of June, 1967, came Jenivar J. Jones, Attorney at Law, and presented a Petition of approximately one hundred ten, (110), legal voters resident within the limits of the proposed Flatwoods Public Service District, and moved the Court to file said Petition and to fix a date of hearing in Braxton County, West Virginia, on the creation

of the proposed public service district.

Whereupon, and being proper so to do, it is hereby ordered, in this regular session of this Court, that a public hearing shall be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 5th day of July, 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 KENDAL MACE.

TO

O R D E R

WANDA DUFFIELD, CHILD AND HEIR AT LAW OF JOHN KENDAL MACE, DECEASED,

This day came the Petitioner, WANDA DUFFIELD, by her counsel, JENIVER J. JOHLS, and presented her Petition, and moved this Court to list and show in the Land Books of Otter District, Braxton County, West Virginia, the proper and correct interest of the Petitioner in the real estate now listed in the name of Kendal Mace, who is now deceased, and he died intestate on the 28th day of April, 1964, and there being no objections to said motion, and the Court being of the opinion that said motion should be granted, it is, therefore, ORDERED, that said property now listed in the name of KENDAL 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 KENDAL MACE, namely: 74 acres, 50 acres, 28.1 acres, 1 acre, 15 acres, 36.4 acres, 4.1 acres, 33.25 acres, 23.75 acres and 85.5 acres; and an undivided one-half (1/2) interest now listed on said land books in the names of MARY [illegible] and KENDAL MACE, a tract of 31.36 acres; and an undivided one-half (1/2) interest in six (6) certain tracts or parcels of land conveyed to KENDAL MACE by PEARL L. SHAW, widow, by deed dated November 18, 1965, and of record in the Office of the Clerk of the County Court of said Braxton County, in Deed Book No. 269, at Page 795, all six tracts being as follows: 2.5 acres, 65 acres, 1 acre, 40 acres, and 38 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 KENDALL MACE, deceased, died intestate, leaving surviving his sole child and heir at law, the Petitioner herein, WANDA DUFFIELD, who

I, John D. Jordan Clerk of the County Commission of Braxton County West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 15 at page No. [illegible]

Given under my hand and the seal of said Commission this 29th day of October 19 90

John D. Jordan SS Clerk
Braxton County Commission

QUALITY PRINTING CO., BUTTON, WV — 18 ORDER NO. [illegible]

[redacted]

[redacted]

The County Court sat pursuant to their last meeting of June 7, 1967.

Present, Harvert Moore, President, Aubrey Robertson and T. D. Harple, Commissioners.

//

The minutes of the last meeting were read and approved.

//

All bills were approved as presented.

//

The County Court passed the following resolution:

Be it resolved that the County Court approved the Community Shelter plan for Braxton County and requested the distribution of same to all residents of Braxton County.

//

The County Court requested the County Civil Defense director to request funds from the state (C.D.) to print and mail the community shelter plan.

//

The County Court requested that the doors to the Courthouse be left open on Saturday so the public could use the rest rooms.

//

On July 3, 1967, at a regular meeting of the Court, Norman H. Frame, member of the Sugar Creek Public Service District, tendered his resignation as a member of the board of the Sugar Creek Public Service District for the reason of his illness, and the other members of board of the Sugar Creek Public Service District recommended that this Court appoint Garnett James as member of the board of the Sugar Creek Public Service District to serve for the unexpired term of Norman H. Frame as such member of said district, the said Norman H. Frame having been appointed for a term of six (6) years starting on January 1, 1966.

The resignation of Norman H. Frame is hereby accepted and this Court hereby appoints Garnett James to serve for the unexpired term of Norman H. Frame as member of the board of the Sugar Creek Public Service District, said term to expire on January 1, 1972, 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 3th day of July, 1967.

The said Garnett James qualified.

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IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
FLATWOODS PUBLIC SERVICE DISTRICT.

WHEREAS, on the 6th day of June, 1967, came Jewison J. James, Attorney at Law, and presented a Petition of approximately one hundred ten, (110), legal voters residing within the limits of the proposed Flatwoods Public Service District, and asked 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 so to do, this Court on the 6th day of June, 1967, unanimously overruled said motion, and also on its own motion, ordered the Clerk of this Court to have published at least once a notice of a public hearing in a newspaper of general publication in Braxton County, West Virginia, stating, in part and in substance, that the public hearing before this Court would be held at the Town of Sutton, in the Courthouse of Braxton County, West Virginia, on the 5th 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 said 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 said area; and,

WHEREAS, the Clerk of this Court caused to have published in the Braxton Democrat in the issues of June 13th and 20th, 1967, the following notice, namely:

"NOTICE OF PUBLIC HEARING
AND CREATION OF FLATWOODS
PUBLIC SERVICE DISTRICT

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

You are hereby notified that pursuant to an order entered on the 6th day of June, 1967, by the County Court of Braxton County, West Virginia, the County Court of Braxton County, West Virginia will hold a public hearing in the Courtroom at Sutton, in Braxton County, West Virginia starting at 10:30 o'Clock, A. M. on the 3rd day of July, 1967, 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 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 said area; that a Petition was officially filed with said County Court on the 6th day of June, 1967 of approximately one hundred two, (102), legal voters resident within and owning real property within the limits of the proposed public service district; that the territory to be embraced within said proposed public service district is located in three of the magisterial districts of Holly, Duck and Salt Lick, in Braxton County, West Virginia, commencing at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company, the centerline to be Greeny's Creek, and tributaries of Salt Lick Creek and extending on each side of Greeny's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, paralleling U. S. Route No. 19, a distance of two miles and terminating one mile north of the Village of Amoret in Salt Lick District.

Given under my hand this 6th day of June, 1967.

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

(6t June 13-27") and,

WHEREAS, this Court convened on this the 3rd day of July, 1967, at one of its regular sessions, and starting at 10:30 o'clock, A.M. proceeded to have, and to hold said public hearing for the reasons aforesaid, and for the reasons stated in said notice, and for reasons as provided by the applicable statutes and laws of the State of West Virginia; and,

WHEREAS, the Court heard all persons for and against the creation of said Flatwoods Public Service District, and considered the feasibility of the creation of the proposed district, and the matters applicable to the creation of said proposed public service district being feasible, and being conducive to the preservation of public health, comfort and convenience of said area; and,

WHEREAS, no written protest was filed to anyone against said proposed [illegible] district.

This Court on its own motion, and also based upon the said Petition, hereby orders that there be, and hereby is, created a public service district, to be called and known as the Flatwoods Public Service District; that the territory to be embraced within said public service district is located in three of the magisterial districts of Holly Ottoe and Salt Lick, in Braxton County, West Virginia, commencing at the Town of Sutton immediately adjacent to the area in said Town of Sutton presently serviced by the West Virginia Water Service Company the center line to be Granny's Creek and tributaries of Salt Lick Creek, and extending on each side of Granny's Creek for a distance of two miles and extending on each side of tributaries of Salt Lick Creek, paralleling U. S. Route No. 19, a distance of twenties and terminating one mile north of the Village of Heaters in Salt Lick District; that said Flatwoods Public Service District shall have all such powers as are provided by the statutes and laws of the State of West Virginia as made and provided therefor; and that said Flatwoods Public Service District, in compliance with Chapter 16, Article 12-A, Section 3 (Michie's code formerly serial section 1069 (38 C), and with the laws of this State, shall be from the date hereof a public corporation and political subdivision of the State of West Virginia with power of perpetual succession.

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IN THE COUNTY COURT OF BRAXTON COUNTY, WEST VIRGINIA

IN THE MATTER OF THE CREATION OF
FLATWOODS PUBLIC SERVICE DISTRICT,

On the 5th day of July, 1967, at one of the regular sessions, and after this Court had by a prior order this day created the Flatwoods Public Service District District, this Court acquired 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'Bell of Heaters, W. Va., Max J. Lockard of Flatwoods, W. Va., and Charles E. Lloyd of Flatwoods, W. Va., be appointed such board members.

It is, therefore, ordered that L. W. O'Bell, Max J. Lockard and Charles E. Lloyd, be, and hereby are, appointed board members of the Flatwoods Public Service District, and that L. W. O'Bell shall serve for a term of two years, that Max J. Lockard shall serve for a term of four years, and that Charles E. Lloyd shall serve for a term of six years as such members of said district, all terms of office starting on the 1st day of January, 1967 for their respective terms of office; and that said three members shall meet at the office of the County Clerk of Braxton County, West Virginia as soon as practicable after this appointment and shall qualify by taking the oath of office as provided by law.

The above members took the oath of office.

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It appearing to the Court, the Prosecuting Attorney being present, that Pearl Byrd was charged on the Personal Property Books of said County for the year 1966, in Sutton Corporation, with one 1965 Pontiac Catalina four door automobile, valued at $2100.00, and household furniture valued at $300.00, were in fact on the 1st day of July, 1965, she should have been assessed and charged on the Personal Property Books of said county, in Sutton Corporation, with one 1957 Chevrolet two door automobile, valued at $100.00, and household furniture valued at $300.00. It further appearing to the Court that said Personal Property by reason of the improper assessment of said automobile caused the said Pearl Byrd to pay the sum of 133.82 over-

RESOLUTION AUTHORIZING THE COUNTY OF BRAXTON, WEST VIRGINIA, TO PARTICIPATE IN A PLANNING ASSISTANCE PROGRAM AS SET FORTH IN THE FEDERAL HOUSING ACT OF 1954, AS AMENDED, AND AUTHORIZING THE PRESIDENT OF THE COUNTY COURT TO EXECUTE AN AGREEMENT WITH THE WEST VIRGINIA DEPARTMENT OF COMMERCE, AND PROVIDING FOR THE PAYMENT BY THE COUNTY OF ITS SHARE OF THE COST OF THE PROGRAM.

WHEREAS, The County Court of Braxton County has signified its interest and willingness to participate in a Planning Assistance Program as set forth in the Federal Housing Act of 1954, as amended, and further has signified its intent, willingness and ability to pay its share of the cost of such program, and

WHEREAS, it is now necessary for the County Court to enter into an agreement with the State of West Virginia, acting by and through its Department of Commerce in connection with the Planning Assistance Program as set forth in the Federal Housing Act of 1954, and to provide for the payment of the County's share in connection with the same.

NOW THEREFORE BE IT RESOLVED BY THE COUNTY COURT OF BRAXTON COUNTY:

FIRST: The Court hereby authorizes and agrees for the County of Braxton to participate in a planning assistance program as set forth in the Federal Housing Act of 1954, as amended, and designates the Planning Commission of the County of Braxton as the County agency to represent the County in connection with such program.

SECOND: The Court hereby authorizes and directs the President of the County Court of Braxton County to execute on behalf of the County an agreement between the State of West Virginia by its Department of Commerce and the said County providing for local planning assistance.

THIRD: The Court authorized and directs the payment from funds heretofore budgeted for such purposes the sum of Two Thousand Eight Hundred and No/100 ($2,800.00) within thirty (30) days from the date hereof, said sum being a portion of the County's full share of the costs of the aforesaid Planning Program. The Court further signifies its intentions to budget for and provide the balance of its costs of such planning program during July of the fiscal years 1968 - 1969, and 1969 - 1970, being installments of Two Thousand Eight Hundred and No/100 ($2,800.00 Dollars each.

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It appearing to the Court there will not be sufficient money in the Sheep Fund with which to pay all claims presented for the load of sheep, it is ordered that the clerk of this court immediately pay from said fund the cost in full of each appraisal as stated in each separate claim, and that he procure all claims for the load of sheep and pay the same from the residue of the money in the sheep fund as of the 5th day of July, 1967, thereby expending said entire residue.

STATE OF WEST VIRGINIA,

Braxton County, ss

I, John D. Jordan, Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true photostatic 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 13th day of October 19 66

John D. Jordan, Clerk
County Commission

Fiscal Order Book No. 5 / Page [illegible]

1024	Braxton Democrat	Printing	[illegible]
1025	Robertson Funeral Home	Ambulance Service	[illegible]

//

The following Claim was Issued-----Dog Fund

905	Cecil Rose	Dog Worden Expense	[illegible]

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The following Claims were issued-----Justice Fund

510	Braxton Co. Ct. Gen. County Fund	Transfer of Funds	[illegible]
511	W. O. Given	Justice	119 50

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

Herbert Moore President

DECEMBER 16, 1947

The County met pursuant to their last meeting of December 2, 1947.

Present Herbert Moore, President, Aubrey Robertson and B. O. Marple, Commissioners.

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The Court met with the Civil Defense Organization for training.

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The Court adjourned to meet January 2, 1948.

Herbert Moore President

JANUARY 2, 1948

The County Court sat pursuant to their last meeting of December 16, 1947.

Present, Herbert Moore, President and B. O. Marple, Commissioner.

The Court reorganized by electing Herbert Moore, President for the ensuing year

They will meet the first Tuesday of each month.

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The minutes of the last meeting were read and approved.

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All bills were approved as presented.

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Rev. Moore, Rev. Kuhn and Mr. and Mrs. William Hopkins appeared before the Court requesting funds for Sutton and Gassaway libraries. They agreed to come back at the February meeting when the Court would know more about their funds.

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Dec. 23, 1947
Burnsville, W. Va.

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

Dear Sirs:

Due to the fact that there is no longer a local Justice of Peace for me to serve as Constable, I hereby submit my resignation [illegible]

and ask that you release the company who has furnished my bond in this capacity [illegible] and I like to resign effective January 1, 1968

Please notify Eugene "Red" Collins, Box 121, Glenville, West Virginia the agent for Ohio Farmers Insurance Company of the release of said bond as of Jan. 1, 1968.

Yours respectfully,

E. C. Hester.

The County Court accepted the resignation of E. C. Hester as constable of [illegible] District.

Mr. Hesters' bonding company is hereby relieved of any further liability as of [illegible] date.

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The County Court appointed Earl Maryleand Raymond Nottingham four years term as Hospital Trustees. N. R. Hamric and George Mooney have two years yet to serve, as the President of the County Court is the fifth member.

The appointment of the two new trustees will be effective February 12, 1968

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The Braxton County Court will receive bids up to February 7, 1968, 11:00 a.m. at the County Court office Braxton County Courthouse, Sutton, West Virginia.

The Court will receive bids for a rental lease to operate the Braxton County Airport near Sutton, West Virginia. The Court will expect the operator of the airport to furnish the services necessary for the for the operation of this airport to serve the public on a full time basis. They shall have available necessary personnel to service incoming aircraft.

The bids should be based on a percentage of the gross sales of the airport operations. All bidders should furnish a detailed statedtnt of what they expect to furnish and describe the manner in which they expect to operate the airport. All bids shall be accompanied with a certified check or performance bond in the amount of $2,500.00. The length of the agreement will be negotiated between the successful bidder and the court before the award is made.

The Braxton County Court reserves the right to reject any and all bids.

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The Court set the following fees for the registrars.

$10.00 for day of instruction, $10.00 a day of sitting, .10c for each new name, .05¢ checkers on book for all names, .07c mileage in and from meeting and returning books, .07¢ mile in and from meeting for instructions and returning books not to exceed $3.00 mileage for any one day.

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IN THE MATTER OF SUGAR CREEK PUBLIC SERVICE DISTRICT

It appearing to the Court that John W. Hamric was appointed a member of the Sugar Creek Public Service District on the 13th day of March, 1966, for a term of two years, and it appearing to the Court that under the statutes and laws of the State of West Virginia any term so expiring must be filled in the month of January, It is therefore, ordered that John W. Hamric be, and hereby is, appointed as a Board Member of the Sugar Creek Public Service District; and that John W. Hamric shall serve for a term of six (6) years starting from this date, January 2, 1968, and shall serve until January 1974, or until a successor member has been appointed in his place and he shall as soon as practicable after this appointment qualify by taking an oath of office as provided by law.

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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 Perrie E. Brady, Max J. Lockard and Charles E. Lloyd be, and they hereby are, appointed board members of the consolidated districts, which consolidated districts shall forthwith be, and hereby are, one public service district, which shall be named and know as the "PLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT"; and that Perrie E Brady shall serve for a term of six years, that Max J. Lockard shall serve for a term of four years, and that Charles E Lloyd 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 1st 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 practicable after this appointment and shall qualify by taking the oath of office as provided by law.

It is further ordered the three board members herein named after their qualification shall forthwith be the governing body of said 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 new consolidated public service district.

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IN RE:
THE MATTER OF TRANSFER OF
TAX PROPERTY IN THE LAND
BOOKS OF BRAXTON COUNTY
IN THE NAME OF C. B. AND
MAMIE LLOYD

TO

MARY L. BROWN,
MARIE L. JOHNSON,
J. H. LLOYD,
ELIA M. HOLCOMB,
CHARLES M. LLOYD and
HELEN GRAY

This day came the Petitioners, MARY L. BROWN, MARIE L. JOHNSON, J. H. LLOYD, ELIA M. HOLCOMB, CHARLES M. LLOYD, and HELEN GRAY, by their Counsel, Jenkins J. Jones, and presented their Petition, and moved this Court to list and show in the Land Books of Otter District, Braxton County, West Virginia, the proper and correct undivided interest of each of these Petitioners in the real estate, being the Coal, Oil and Gas, now listed in the names of C. B. Lloyd and Mamie Lloyd, who are now both deceased, and who both died intestate and there being no objection to said motion, and the Court being of the opinion that said motion should be granted, it is therefore, ORDERED that said property now listed in the names of C. B. Lloyd and Mamie Lloyd in said Braxton County be hereafter listed in the names of these Petitioners in respect to their respective undivided interest of each Petitioner as specifically mentioned and set out in said Petition, and which shall be listed by the Assessor of Braxton County as follows:

I, John 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. 441

Given under my hand and the seal of said Commission this 25th day of [illegible]

19 90

Clerk
Braxton County Commission

[redacted]

[redacted]

IN THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA.

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

WHEREAS, the County Commission of Braxton County, West Virginia, on its own motion, deems it necessary, feasible and proper to enlarge the Flatwoods-Canoe Run Public Service District to include additional areas, and desires so to do; and,

WHEREAS, and being proper so to do, this Commission on the 15th day of March, 1985, at one of its regular meetings, unanimously sustained its own motion, and also on its own motion hereby orders the Clerk of this Commission to have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five, (5), conspicuous places in the proposed enlargement of said public service district a copy of said notice stating, in part and in substance, that the public hearing before this Commission will be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement; and at such hearing said Commission will consider and determine the feasibility of the enlargement of said public service district, and will determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, the present limits of the present Flatwoods-Canoe Run Public Service District is located in parts of the Magisterial Districts of Holly, Otter and Salt Lick, in Braxton County, West Virginia.

NOW, THEREFORE, IT IS, HEREBY ORDERED, that said proposed enlargement shall be such that the enlargement, together with the present limits or boundaries of said public service district, shall be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District; but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia."

Entered this 15th day of March, 1985.

THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA.

By: _____
James R. Frame, Its President

_____
Lewis E. Wine, One of Its Members

_____
Ladra Argabrite, One of Its Members

Book 424 Page 331 IN THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA

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

WHEREAS, on the 11th 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, possible and proper to so enlarge said Flatwoods-Canoe Run Public Service District, and also on its own motion ORDERED the Clerk of this Commission have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five (5) conspicuous places in the proposed enlargement of said public service district a copy of said notice, stating, in part and in substance that the public hearing before this Commission would be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement, and at said hearing said Commission would consider and determine the feasibility of the enlargement of said public service district, and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

WHEREAS, the Clerk of this Commission caused to be published in Braxton Citizens News in the issue of March 13, 1985, the following Notice, viz:

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

All persons residing in, owning or having any interest in property lying within the Magisterial District of Holly, in the Magisterial District of Salt Lick, except the Town of Burnsville, and the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, in Otter District, pursuant to the provisions of Chapter 16, Article 13A, Section 2 of the Code of West Virginia, as amended, are hereby notified and advised that the County Commission of Braxton County, West Virginia, on its own motion entered on March 11, 1985, proposed to enlarge the present Flatwoods-Canoe Run Public Service District to include and be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia." and that an Order has been entered by said County Commission fixing Thursday, April 11, 1985, at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Braxton County Courthouse, as the date, time and place for a public hearing upon the question of the proposed enlargement of said public service district to include the aforesaid territory, at which meeting you may attend if you so desire.

This the 11th day of March, 1985.

David L. Jack
David L. Jack, Clerk of the County Commission of Braxton County, West Virginia.

(3-22d)"

WHEREAS, a copy of said Notice was duly posted in at least five (5), conspicuous places in the proposed enlargement of said public service district; and,

WHEREAS, this Commission convened on the 11th day of April, 1985 at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, at the Courthouse in the said Town of Sutton, and starting at 7:30 o'clock, P.M., proceeded to have and to hold said public hearing for the reasons aforesaid, for the reasons stated in said Notice and for reasons as provided by the applicable statutes and Laws of the State of West Virginia; and,

WHEREAS, the Commission heard all persons for and against the enlargement of said Flatwoods-Canoe Run Public Service District, and considered the feasibility of the enlargement of said District, and the matter applicable to the enlargement of the said public service district, and, after mature considerations this Commission is of the opinion that said proposed enlargement of public service district should be enlarged and created, the creation and enlargement of such enlargement of said public service district being feasible and being conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, an oral protest was made by Charles Swaitzer, 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 in its corporate limits and to include other

but not limited to, the area to and including Orlando, the area to Gilmer the area to and including Gem, and the area adjacent thereto, and to extend from the Town of Burnsville back to the Gilmer County line, and being the area below Burnsville; and,

WHEREAS, said meeting and hearing was adjourned until a regular meeting of this Commission on Friday, April 19, 1985 at 9:00 o'clock, A. M., to enter an order remaining during its said regular session on April 19, 1985, creating the enlargement of said public service district; and,

WHEREAS, this Commission met in one of its regular sessions on Friday, April 19, 1985, starting at 9:00 o'clock, A. M., and all three (3) members being present, this matter was again discussed and it was agreed that the Burnsville Area would be excluded from the Flatwoods-Canoe Run Public Service District, in Salt Lick District, Braxton County, West Virginia, and would be marked on a map of that area of Braxton County to be agreeable to the officials of the Town of Burnsville and especially Charles 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 Jenivar J. Jones, representing theFlatwoods-Canoe Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with red "x's", and placed thereon to designate the boundaries thereof to be so excluded, and the Burnsville area to be excluded shall be as follows:

Following the boundary lines between the Counties of Lewis and Gilmer, with Braxton County, and starting in with the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the Confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confluence of Patty's Run and Salt Lick Creek, thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the backwaters of Wolf Pen Run, and following Route 1 from Gem to Copen, as marked on said map, thence with Highway No. 2/1 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; and the three members of the Commission voted unanimously to sustain said motion for the enlargement of said Public Service District, said area shall not include the Burnsville Area as marked and designated on said map.

It is, therefore, ORDERED that there be, and hereby is, create an enlargement of the Flatwoods-Canoe Run Public Service District; that the territory to be embraced within said enlargement, within the said District to include and to be as follows:

"All of the Magisterial District of 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 Patty's Run and Salt Lick Creek, thence Northerly to the Village of Gem, as marked on said map, thence along with the right fork as marked on said map, to the backwaters of Wolf Pen Run, and following Route 1 from Gem to Copen, as marked on said map, thence with Highway No. 2/1 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; which area shall be excluded from the Flatwoods-Canoe Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Canoe Run Public Service District shall also include the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia." that said Flatwoods-Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia as made and provided therefor in the said District, and in the territory in this enlargement of said public service dis

Entered this 7th day of February, 1986

THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA

By: James I. Frame
James I. Frame, Its President

Lewis I. Vine
Lewis I. Vine, One of Its Members

Cedra Arguelles
Cedra Arguelles, One of Its Members

Braxton County, ss

I, John D. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in General Order Book No. 20 at page No. 16-A

Given under my hand and the seal of said Commission this 26th day of October 19 90

Clerk
Braxton County Commission

QUALITY PRINTING CO., SUTTON, WV — RE-ORDER NO. BCC-14

[redacted]

[redacted]

... COUNTY, WEST VIRGINIA.

Deed Book No 426/334

000426 PG 334

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 ORDERED the Clerk of this Commission to have published at least once a notice of a public hearing in a newspaper of general circulation in Braxton County, West Virginia, and to post in at least five, (5), conspicuous places in the proposed enlargement of said public service district a copy of said notice, stating, in part and in substance, that the public hearing before this Commission would be held at the Town of Sutton, in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Courthouse of Braxton County, West Virginia, on Thursday, the 11th day of April, 1985, at 7:30 o'clock, P.M., for the purpose of hearing any and all persons residing in, or owning or having any interest in property in such proposed enlargement of said public service district, for or against its enlargement; and at said hearing said Commission would consider and determine the feasibility of the enlargement of said public service district, and would determine whether or not the construction or acquisition by purchase or otherwise, and maintenance, operation, improvements, and extension of such public service properties by such enlargement of said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

WHEREAS, the Clerk of this Commission caused to be published in the Braxton Citizens News in the issue of March 25, 1985, the following Notice, namely:

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

All persons residing in, owning or having any interest in property lying within the Magisterial District of Holly, in the Magisterial District of Salt Lick, except the Town of Burnsville, and the Magisterial District

of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, in Otter District, pursuant to the provisions of Chapter 16, Article 13A, Section 2 of the Code of West Virginia, as amended, are hereby notified and advised that the County Commission of Braxton County, West Virginia, on its own motion, entered on March 15, 1985, proposed to enlarge the present Flatwoods-Canoe Run Public Service District to include and be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Town of Burnsville; and all of the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia."; and that an Order has been entered by said County Commission fixing Thursday, April 11 1985, at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton County, West Virginia, in the Braxton County Courthouse, as the date, time and place for a public hearing upon the question of the proposed enlargement of said public service district to include the aforesaid territory, at which meeting you may attend if you so desire.

This the 15th day of March, 1985.

David L. Jack, Clerk of the County Commission of Braxton County, West Virginia.

(3-22c)"

WHEREAS, a copy of said Notice was duly posted in at least five (5), conspicuous places in the proposed enlargement of said public service district; and,

WHEREAS, this Commission convened on the 11th day of April, 1985 at 7:30 o'clock, P.M., in the Courtroom of the Circuit Court of Braxton Co. West Virginia, at the Courthouse in the said Town of Sutton, and starting at 7:30 o'clock, P.M., proceeded to have and to hold said public hearing for the reasons aforesaid, for the reasons stated in said Notice and for reasons as provided by the applicable statutes and laws of the State of West Virginia; and,

WHEREAS, the Commission heard all persons for and against the enlargement of said Flatwoods-Canoe Run Public Service District, and considered the feasibility of the enlargement of said District, and the matter applicable to the enlargement of the said public service district, and, after mature consideration this Commission is of the opinion that said proposed enlargement of said public service district should be enlarged and created, the creation and enlargement of such enlargement of said public service district being feasible and being conducive to the preservation of public health, comfort and convenience of such area; and,

WHEREAS, an oral protest was made by Charles Sweitzer, Mayor of the Town of Burnsville, against said proposed enlargement of said Public Service District insofar as it would affect the Town of Burnsville and its water system and requested that the Town of Burnsville not be restricted to its corporate limits and to include other areas around Burnsville, including, but not limited to, the area to and including Orlando, the area to Gilmer, the area to and including Gem, and the area adjacent thereto, and to extend from the Town of Burnsville back to the Gilmer County line, and being the area below Burnsville; and,

WHEREAS, said meeting and hearing was adjourned until a regular meeting of this Commission of Friday, April 19, 1985, at 9:00 o'clock, A.M., to enter an order sometime during its said regular session on April 19, 1985, creating the enlargement of said public service district; and,

WHEREAS, this Commission met in one of its regular sessions on Friday, April 19, 1985, starting at 9:00 o'clock, A.M., and all three, (3), members being present, this matter was again discussed and it was agreed that the Burnsville Area would be excluded from the Flatwoods-Canoe Run Public Service District, in Salt Lick District, Braxton County, West Virginia, and would be marked on a map of that area of Braxton County to be agreeable to the officials of the Town of Burnsville and especially Charles Sweitzer, then Mayor of the Town of Burnsville, which was later done on September 11, 1985, by Charles Sweitzer, representing the Town of Burnsville, and Junivet J. Jones, representing the Flatwoods-Canoe Run Public Service District, which area was marked on said map, and the outside boundaries thereof was marked with red

[illegible], and placed thereon to designate the boundaries thereof to be so excluded, and the Burnsville area to be excluded shall be as follows:

Following the boundary lines between the Counties of Lewis and Gilmer, with Braxton County, and starting in the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the Confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the 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 Copen, as marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; and the three members of the Commission voted unanimously to sustain said motion for the enlargement of said Public Service District, said area shall not include the Burnsville Area as marked and designated on said map.

It is, therefore, ORDERED that there be, and hereby is, created an enlargement of the Flatwoods-Canoe Run Public Service District; that the territory to be embraced within said enlargement, within the said District, to include and to be as follows:

"All of the Magisterial District of Holly; all of the Magisterial District of Salt Lick, except the Burnsville Area as designated and marked on said map showing that portion of Braxton County, and the boundary lines of the Burnsville District shall be the boundary line between Braxton County and the Counties of Gilmer and Lewis, and thence starting in the Town or Village of Orlando, adjoining the Lewis County line, thence following Oil Creek, to the confluence of Posey Run and Oil Creek, as designated on said map, thence in a Southerly direction to the backwaters of McCauley Run, and to the Burnsville Dam Site, thence a straight line as marked on said map to the confl 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 Copen, as

marked on said map, thence with Highway No. 2/3 to the Gilmer County line, and being at or near Toler Fork at the Gilmer County line; which area shall be excluded from the Flatwoods-Canoe Run Public Service District, as shown on said map and the boundaries marked in red; and the Flatwoods-Canoe Run Public Service District shall also include the Magisterial District of Otter, except those portions now included in the boundaries of the Sugar Creek Public Service District, within Otter District, but all of said Flatwoods-Canoe Run Public Service District shall be confined within Braxton County, West Virginia." that said Flatwoods-Canoe Run Public Service District shall have all such powers as are provided by the statutes and the laws of the State of West Virginia so made and provided therefor in the said District, and in the territory in this enlargement of said public service district.

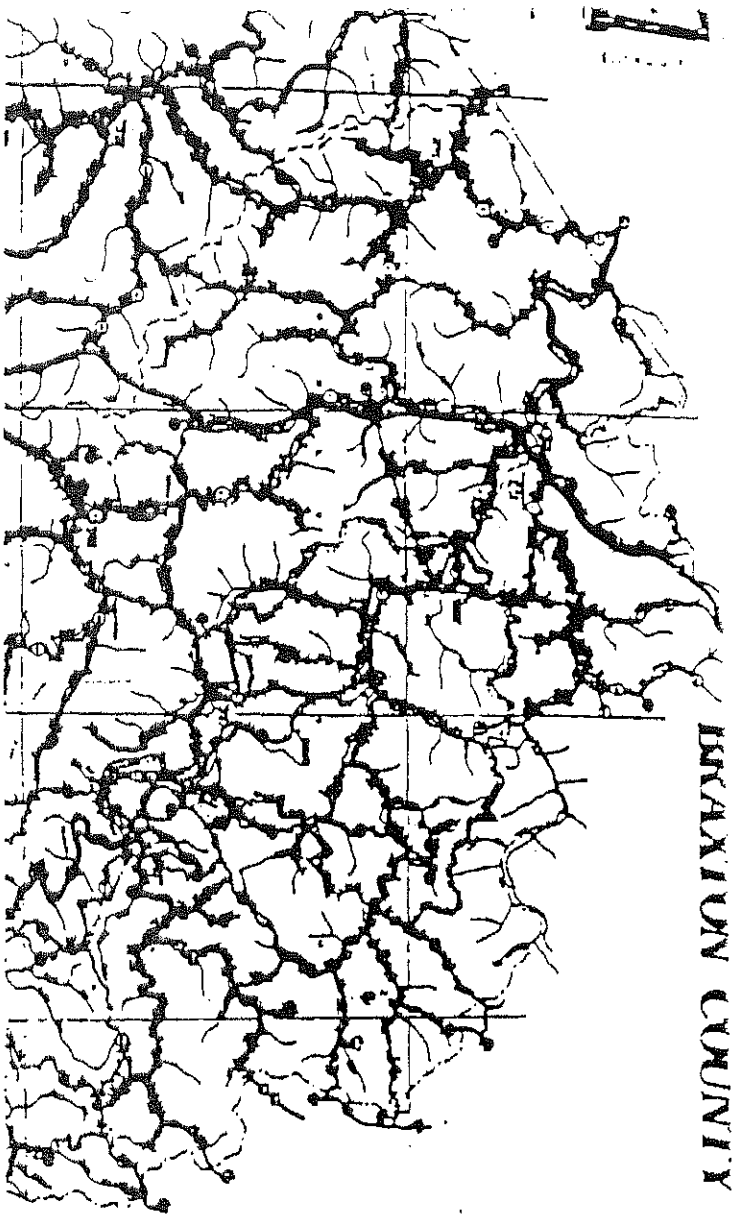
Entered this 7th day of February, 1980.

THE COUNTY COMMISSION OF BRAXTON COUNTY, WEST VIRGINIA

By: James R. Frame
James R. Frame, Its President

Louis E. Wine, One of its Members

Ledra Argabrite, One of its Members



STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office February 7, 1986

The foregoing Enlargement of Florence-Canoe Bay P.S.D. together with the certificate acknowledgment, was this day presented in said office and admitted to record.

Teste David L. Jack Jr. Clerk

Braxton County, ss:

I, John D. Jordan Clerk of the County Commission of Braxton County, West Virginia, do hereby certify that the foregoing writing is a true copy from the records in my office, the same appearing in Deed Book No. 426 at page No. 114

Given under my hand and the seal of said Commission this 26th day of October 19 90

John D. Jordan Clerk
Braxton County Commission

QUALITY PRINTING CO., BUTTON, WV — RE-ORDER NO. BCC-14

[redacted]

[redacted]

AFFIDAVIT

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

This day personally appeared before the undersigned Notary Public in and for the state and county aforesaid, Jenver J. Jones who, being by me first duly sworn, upon his oath deposes and says

1. That he is an attorney at law practicing in Sutton, Braxton County, West Virginia.

2. That he was the counsel to Canoe Run Public Service District from and including all the calendar year 1966 to and including January 2, 1968.

3. That he was counsel to Flatwoods Public Service District from and including all the calendar year 1967 to and including January 2, 1968.

4. That he has been counsel to Flatwoods-Canoe Run Public Service District from and including January 2, 1968, to the date hereof.

5. That, as such counsel, he assisted in the creation of Canoe Run Public Service District and Flatwoods Public Service District, the consolidation of Canoe Run Public Service District and Flatwoods Public Service District as one public service district known as Flatwoods-Canoe Run Public Service District and the enlargement of Flatwoods-Canoe Run Public Service District.

6. That, to the best of his knowledge, information and belief, the petitions filed in connection with the creation of both Canoe Run Public Service District and Flatwoods Public Service District contained the signatures of the required number of legal voters resident within and owning real property within the limits of the respective public service districts.

7. That all notices required to be posted and/or published under Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended, and the other applicable provisions of law, as in effect at the relevant time or times, in connection with the creation of both Canoe Run Public Service District and Flatwoods Public Service

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

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

Jennifer J. Jones

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

My commission expires: September 1, 2001

Notary Public

11/13/90
FCRB.GGJ
29212/88002

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LINDA L. COX
[illegible]
SUTTON, WV 26601

AT THE REGULAR MEETING OF THE COMMON COUNCIL OF THE TOWN OF SUTTON, WEST VIRGINIA, HELD ON THURSDAY, JANUARY 23, 1969, AT THE COMMUNITY BUILDING, ITS REGULAR MEETING PLACE

Councilman C. W. Humphreys.

I move that the following Resolution be adopted by the Common Council of the Town of Sutton, West Virginia, and that the Council waive any further readings of the proposed Resolution, the Resolution being as follows:

"Be It Ordained And Resolved By The Common Council Of The Town Of Sutton:

The Common Council of the Town of Sutton hereby resolves that the boundaries of, and within, the corporate limits of the Town of Sutton shall be forthwith included within the boundaries of the Flatwoods-Canoe Run Public Service District, and the Common Council of the Town of Sutton hereby consents to the forthwith inclusion of the boundaries of, and within, the corporate limits of the Town of Sutton within the boundaries of the Flatwoods-Canoe Run Public Service District."

Councilman J. W. Stoneking.

I second the motion

After due deliberation and discussion it was voted unanimously to immediately and forthwith adopt the proposed resolution in its entirety, there being present at said voting the following persons, namely:

O. L. Holcomb, Mayor of the Town of Sutton,

R. W. Cuttip, Recorder of the Town of Sutton,

and C. W. Humphreys, I. W. Stoneking,

J. O. Cagar, _____

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, [illegible], 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: [illegible]
Its Recorder

AT THE REGULAR MEETING OF THE COMMON COUNCIL OF THE TOWN OF GASSAWAY, WEST VIRGINIA, HELD ON THURSDAY, JANUARY 23, 1969, AT THE COMMUNITY BUILDING, ITS REGULAR MEETING PLACE

Councilman Harry E. Kyer.

I move that the following Resolution be adopted by the Common Council of the Town of Gassaway, West Virginia, and that the Council waive any further readings of the proposed Resolution, the Resolution being as follows:

"Be It Ordained And Resolved By The Common Council Of The Town Of Gassaway:

The Common Council of the Town of Gassaway hereby resolves that the boundaries of, and within, the corporate limits of the Town of Gassaway shall be forthwith included within the boundaries of the Flatwoods-Canoe Run Public Service District, and the Common Council of the Town of Gassaway hereby consents to the forthwith inclusion of the boundaries of, and within, the corporate limits of the Town of Gassaway within the boundaries of the Flatwoods-Canoe Run Public Service District."

Councilman Howard Heckler.

I second the motion

After due deliberation and discussion it was voted unanimously to immediately and forthwith adopt the proposed resolution in its entirety, there being present at said voting the following persons, namely:

Simon L. Cole, Jr., Mayor of the Town of Gassaway,

Sarah S. Hopkins, Recorder of the Town of Gassaway,

and ~~Howard Heckler~~, Harry F. Kyer

Olen Lively, Jack R. Phillips

and _____, members of the Common Council of the Town of Gassaway, all of whom voted in the affirmative to adopt said proposed resolution in its entirety without any change thereof or therein; and further at said time all of said persons voted in the affirmative to waive and to dispense with any reading or readings of said proposed resolution.

C E R T I F I C A T I O N

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

TOWN OF GASSAWAY

By: Sarah S Hopkins
Its Recorder

480

BRAXTON COUNTY COMMISSION MEETING
JUNE 18, 2010

The Braxton County Commission convened in regular session Friday June 18, 2010, at 9:00 am with the following present: Teresa Frame, President; Lawrence M. Chapman and David L. Jack, Sr, Commissioners; Susan Lunceford, Deputy Clerk, Edith Tichner, Allison Given, Citizens News; Joan Bias, Braxton Democrat; Carol Richardson, Sonja Richardson, Denise Blankenship, Mike Blankenship, Gary Ellyson, Ted Elonis, Tammy Gillespie, Samantha Gillespie, Gary Crutchfield, Duane Mattson, Tom Yenero, Robert hamil, Craig Smith, Jacob Dennison, Travis Flint.

The meeting began with the pledge of Allegiance.

Chief Deputy Travis Flint appeared before the Commission to request permission to purchase a Police K-9. He stated this purchase would be beneficial for the county in several ways. Commissioner Chapman asked where the money for the purchase would come from and Chief Deputy Flint informed him there is money in the home confinement fund. On motion of Commissioner Chapman, seconded by Commissioner Frame, unanimously approved his request.

Flint also ask permission for himself, Deputy Dennison and Sgt. Scarbro to attend a scuba diving school to become certified divers at a cost of $1,500 to be paid out of the Home Confinement Fund. After discussion, on motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved this request.

Sonja Richardson appeared before the Commission to see if a water could be extended to her residence located on Camp Scot Road. President Frame informed her to get a petition signed by all of the residents and submit it to the FCR PSD and they would provide them with an answer within thirty days.

Gary Crutchfield, representing the Burnsville Town Council and the Burnsville VFD, appeared before the commission to request permission to use the Burnsville Community Building on to two days per month two to three hours at a time for community socialization time. President Frame asked if he has contacted the Board and he stated he had not at this time. On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved his request contingent on the P&R Boards approval.

Mr. Crutchfield the requested $1,016. To reimburse the Fire Department for repairs incurred over the past winter and they had asked the Parks and Recreation Department for the funds but were denied due to a lack of funds. President Frame asked that he bring his request back after the fiscal year begins. He then requested $1,000 to $1,500 for repairs to the Burnsville Park. President Frame instructed the administrative assistant to add Mr. Crutchfield to the July 16, 2010 agenda for further consideration of his requests.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved all short Form settlements as submitted by Tamera Facemire, Fiduciary Supervisor.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved an Erroneous tax ticket for Michael D. Singleton; Exoneration refund request for Kenneth and Bridget Haney in the amount of $33.69; Credit on taxes for Amber and Randy Given in the amount of $26.00 and created a corrected tax ticket for Thomas &/or Joyce Ward that was managed timber omitted by the Tate Tax Department.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the following Purchase Order request:
425 - Casto & Harris - County Clerk - recording Books - $650.00

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the hiring of Jerod gerwig as a part time dispatcher.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the request of Mary Rifle to use the courthouse lawn for a wedding July 24, 2010.

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Discussion of the payment of rent for the SWA was held and it was decided to meet with Mayor Richard Roach and further, on motion of Commissioner Chapman, seconded by Commissioner Jack, to pay four months of the back rent that amounts to $3,200 to be taken out of coal severance and the city to pay the other two months.

No action on the bids for the parking lot and it is to be placed on the next agenda.

Hiring of Kathleen Mulhare full time was tabled until a later date.

Tabled any action on moving the SWA to another location was tabled until the Commission had a chance to discuss the move with Mayor Richard Roach.

On Motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the appointment of Lavern Tonkin to the unexpired term of Eldred Drake to the FCR PSD Board.

On the appointment of members to the Braxton County Development Authority, on motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approve the appointment of Ed Given, Ted Elonis, Tim Urbanic, Danny Varney, Doug Conrad, John Clise and Kelly Morrison and to send a letter to the present members to submit a letter seeking reappointment.

On motion of Commissioner Chapman, seconded by Commissioner Jack unanimously approved the purchase of a new multiplexer for the courtroom that will allow the monitoring of 6 cameras as well as recording the camera feeds as well.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved the payment of invoices that were submitted to include the utility bills for the EMS until a total list can be submitted for payment. Allison Given, representing the Citizens News, questioned the two invoices presented to the commission by the Citizens News and the Braxton Democrat concerning the printing the printing of the delinquent tax list. She stated that the Democrat's invoice is over $2,300 higher than the Citizens News invoice. I am not sure how that is possible when the two list are exactly the same and the state legislature mandates the rates. On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved sending the bills to the state for review.

On motion of Commissioner Chapman, seconded by Commissioner Jack, unanimously approved adjournment a t 11:40 am until July 2, 2010 at 9:00 am.

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

BRAXTON COUNTY COMMISSION MEETING

November 7, 2008

The Braxton County Commission convened in regular session on Friday, November 7, 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, Braxton Citizens News; Joan Bias, Braxton Democrat; Tracy Lamb, Rusty Greathouse, Richard Nettles, Julie Beckner, Paul W. Tallman, Derek Long, Tara Wilson, Erman Smith, Romie Spencer Jr., John Skidmore II.

The meeting began with the Pledge of Allegiance

Sheriff Howard Carpenter appeared before the Commission to discuss a letter written to the Commission concerning faulty security systems located in the county. He is requesting the Commission to impose a $50.00 fee to be charged to those who have these systems located in residents or businesses. After discussion on his proposal the Commission decided they would discuss the proposal at an upcoming work session.

Julie Bechner, Hospice Care, appeared before the Commission to request the Commission sign a proclamation declaring November as National Hospice/Palliative Care month. After hearing her presentation, on motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved her request.

Tara Wilson appeared before the Commission to request financial assistance in repairing the Frametown Parks and Recreation Center. She presented an estimate of the repairs needed. The Commission informed her they would consider the request.

Romie Spencer and Paul Tallman appeared before the Commission to discuss the purchase of new vehicles for the Sugar Creek PSD. They provided bids in the amount of $43,474.00 for a new 3/4 ton truck with a mechanics bed and a new ½ ton pickup. They tabled any action until they could discuss the financial status with John D. Jordan, clerk. A work session to discuss the purchases was set for Monday, November 17, at 10:00 am.

Rusty Greathouse and Tracy Lamb appeared before the Commission to discuss the rotation call out of wreckers through the 911 Dispatch Center stating the log they were using is a joke. She wanted two logs to be used, one for emergencies and the other for assistance calls. The Commission explained that the owners of wrecked or disabled vehicles and fire departments can contact the wrecker of their choice if assistance is needed to perform their rescue duties. Commissioner Frame informed them they would discuss revision with Fred Thompson, OES Director.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the probate appointments for the month of October, 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 list of erroneous assessments, and Split Classification request as submitted by Assessor Arlene Herndon.

On motion of Commissioner Jack, seconded by Commissioner Frame, unanimously approved the following Purchase Order requests:
2254 - Casto & Harris - Co. Clerk - Election supplies - $ 386.50
2255 - Casto & Harris - Circuit Clerk - Case Binders - $ 483.34

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the private road names Marple Drive and Clyde Street be accepted and placed on a two week public comment period.

On motion of Commissioner Frame, seconded by Commissioner Jack, approved the payment of Invoice #8 to Dunn Engineers for work on the Little Birch Waterline extension.

The FCR PSD Board appointment was next on the agenda and President Chapman stated that letters of interest were received from Derek V. Long and Scott Ratliff. Commissioner Frame stated both candidates were highly qualified, but she preferred Scott Ratliff as he was a retired engineer from the Department of Highways. President Chapman stated that he felt Long would provide business knowledge and better geographic representation. After discussion, on motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the appointment of Scott Ratliff to replace Jim Konkel who has resigned.

Tabled any action on the appointments to the Building Commission Board and the SWA Board.

405

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the signing of a DUI grant submitted by the Sheriff's Law Enforcement department.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved tabling a resolution authorizing the President to sign a grant request for the Gilmer/Braxton Research Institute.

The agenda items, Region VII Priority List, WV American Main Extension Agreement, Convention & Visitors Bureau Budget and request to attend a Veterinary Conference were tabled to be discussed at a work session.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously accepted the resignation of Betty Schoolcraft from the Frametown P&R Board and to advertise for interested parties to send a letter of interest prior to the Commission meeting December 5, 2008.

On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the minutes of the October, 2008 Commission meetings.

On motion of Commissioner Jack, seconded by Commissioner Chapman, unanimously approved adjournment at 10:30 am until November 21, 2008 at 9:00 am.

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

BRAXTON COUNTY COMMISSION MEETING
NOVEMBER 21, 2008

The Braxton County Commission convened in regular session Friday, November 21, 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; Howard Carpenter, Sheriff; Shane Whitehair, Rosemary Wagoner, J. L. Cambell, Wilda Skidmore, Rick Bender and Romie Spencer Jr.

The meeting began with the Pledge of Allegiance.

Sue Thompson was due to appear and was unable to do so, but submitted a request for a financial donation to the Christmas from the Heart program. After discussion on the request, on motion of Commissioner Jack, seconded by Commissioner Frame, unanimously approved a $2,00.00 donation to be taken out of the Coal Severance Fund.

Sheriff Howard Carpenter was the next to appear to present the Commission with the title and keys to a 1998 Ford truck that his department had confiscated during a drug arrest. He stated the truck was in decent condition and could be used the county maintenance department.

Rosemary Wagoner and Shane Whitehair, Region VII, appeared before the Commission to report that the evidentiary material for the Wilsie ARC/SCBG was ready for submission. They also discussed the Region VII dues that are owed by the county and Braxton County's Priority points allotted to projects selected by the county. On motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the President to sign the grant applications, pay the dues in the amount of $4,675.50 and approved the Priority Points as presented.

Romie Spencer, Sugar Creek PSD, appeared before the Commission to present information on the lease purchase of vehicles. He explained that BB & T offered the lowest government lease rate at 3.4%. Following a discussion, on motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved the purchase of a 3/4 ton Chevrolet truck for the amount of $ 23, 370.00 on the lease purchase agreement. They also informed him he could renew his request for the second truck at a later date.

Fred Thompson appeared before the Commission to request the hiring of Jessica Jo Ross as a part time EMT at $8.00 per hour, without benefits, and to purchase tires for the 911 Mapping Explorer. After discussion, on motion of Commissioner Frame, seconded by Commissioner Jack, unanimously approved both of his requests.

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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

3248 BOOK 0003 PAGE 165

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 District to the best of my skill and judgment SO HELP ME GOD.

John E Gibson
Signature of Affiant

Subscribed and sworn to before me in my said County and State this 20th day of August, 2007.

Notary Seal

OFFICIAL SEAL
STATE OF WEST VIRGINIA
PUBLIC
Susan K. Lunceford
Hacker Valley, WV 26222
My Commission Expires July 15, 2017

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.
Susan K. Lunceford Notary

JOHN D JORDAN
BRAXTON County 04:26:00 PM
Instrument No 200703248
Date Recorded 08/20/2007
Document Type OOO
Book-Page 3-165
Rec/Preserve $0.00 $0.00

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

BOOK 182

Oath Of Office

STATE OF WEST VIRGINIA

COUNTY OF BRAXTON, TO-WIT:

I, Scott Ratliff, 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.

Scott Ratliff
Signature of Affiant

Subscribed and sworn to before me in my said County and State this 18th day of November, 2008.

Susan K. Lunceford

Notary Seal

OFFICIAL SEAL
STATE OF WEST VIRGINIA
NOTARY PUBLIC
Susan K. Lunceford
5201 Replete Road
Hacker Valley, WV 26222
My Commission Expires July 15, 2017

JOHN D JORDAN
BRAXTON County 11:54:11 AM
Instrument No 200806930
Date Recorded 11/18/2008
Document Type OOO
Book-Page 3-182

STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office November 18, 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: John D. Jordan /s/

BOOK 003 PAGE 234

3440

Oath Of Office

STATE OF WEST VIRGINIA

COUNTY OF BRAXTON, TO-WIT:

I, Lavern Tonkin, 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 District Board to the best of my skill and judgment SO HELP ME GOD.

Signature of Affiant

Subscribed and sworn to before me in my said County and State this 6th day of July, 2010.

John D. Jordan, Clerk/sc

John D Jordan
BRAXTON County 01:25:25 PM
Instrument No 2010003440
Date Recorded 07/06/2010
Document Type OOO
Pages Recorded 1
Book-Page 3-234

STATE OF WEST VIRGINIA, Braxton County Commission Clerk's Office July 6, 2010
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/sc

RULES OF PROCEDURE

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at Post Office Box 677, Sutton, Braxton County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Flatwoods-Canoe Run Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Braxton County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the third Wednesday of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Braxton County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Braxton County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly

elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 16th day of November, 2005.

05/06/05
292120.00001

H. Wyatt Hanna III
Attorney at Law

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

June 3, 2009

Ms. Sandra Squire
Director-Executive Secretary Division
Public Service Commission of WV
201 Brooks Street
Charleston, WV 25301

RE: CASE NO. 09-0804-PSD-SCN
Flatwoods-Canoe Run Public Service District
Application for a Certificate of Convenience and Necessity to construct a wastewater system extension to serve approximately 165 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run, and Chemical Town areas of Braxton County, West Virginia, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County, West Virginia.

Dear Ms. Squire:

I represent Flatwoods-Canoe Run Public Service District, a public utility, Braxton County, West Virginia, with regard to the above referenced proceeding. As such, enclosed please find for filing is the original and twelve (12) copies of an Affidavit of Publication from the Braxton Citizens News which indicates that the District's NOTICE OF FILING was published in said newspaper on June 2,2009.

If you should have any questions or desire to discuss this matter further with me, please do not hesitate to contact my office.

Sincerely,

H. Wyatt Hanna, III
WV State Bar No. 1579

HWHIII/rb
Enclosures
cc: Flatwoods-Canoe Run PSD
John Gibson
Eldred Drake
James Konkel
Fred Hypes, P.E., P.S.
Todd Dingess, CPA
John Stump, Esquire

CITIZENS' NEWS

Post Office Box 516 Sutton
501 Main Street, Sutton, WV
304-765-5193

PUBLISHER'S CERTIFICATE OF PUBLICATION

I, **Edward R. Given**, managing editor and publisher of the **Braxton Citizens' News**, a newspaper of general circulation, published at Sutton, in the County of Braxton, West Virginia, do certify that the attached:

Notice of Filing

was published in said newspaper for one consecutive issues, to-wit, in its issues of 6/2/09.

Edward R. Given

Managing Editor

Taken, sworn to and subscribed by the said **Edward R. Given** before me, in Braxton County, West Virginia, this 2nd day of June, 2009.

Virginia S. Carr

Notary Public

My commission expires September 24, 2018.

Official Seal
Notary Public, State of West Virginia
Virginia S. Carr
Braxton Citizens News
501 Main St P O Box 516
Sutton, WV 26601
My Commission Expires September 24, 2018

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CHARLESTON

ENTERED BY THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA IN THE CITY OF CHARLESTON ON THE 21ST DAY OF MAY 2009.

Case No. 09-0804-PSD-SCN
Flatwoods-Canoe Run Public Service District
Application for a Certificate of Convenience and Necessity to construct a wastewater system extension to serve approximately 165 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run, and Chemical Town areas of Braxton County, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County.

Notice of Filing

On May 19, 2009, Flatwoods-Canoe Run Public Service District ("District"), filed an application, duly verified, for a Certificate of Convenience and Necessity to construct a wastewater system extension to serve approximately 165 new customers in the Little Buckeye Creek, Skidmore Run, Lower Skidmore Run, and Chemical Town areas of Braxton County, and to construct certain improvements to the District's existing wastewater treatment plant in Braxton County. The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

The District estimates that construction will cost approximately $6,600,000.00 and will be utilizing 100% funding from the West Virginia Department of Environmental Protection's SRF American Recovery and Reinvestment Act of 2009 (Federal Stimulus Money).

The District does not anticipate increasing its current sanitary sewer rates and charges which are as follows:

Applicability
Applicable within entire territory served
Availability of Service
Available for general domestic, commercial and industrial service and sale for resale sewer service.
Rates (Customers with metered water supply)
Per thousand gallons usage per month $10.80
Flat Rate Charge (Customers with non-metered water supply)
Equivalent of 3,500 gallons of water usage of $37.80
Minimum Charge
No bill will be rendered for less than $21.60 per month, which is the equivalent of 2,000 gallons of usage with a 5/8 inch meter.
Tap Fee
The following charges are to be made whenever the utility installs a new tap fee to serve an applicant:
A tap fee of $250.00 will be charged to all customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to the applicant's premises that is associated with a certificate proceeding.
A tap fee of $250.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.
Disconnect/Reconnect/Administrative Fees
Whenever water service has been disconnected for non-payment of sewer bills in connection with a water service termination agreement with West Virginia-American Water Company a disconnection fee of $20.00 shall be charged or, in the event the delinquent sewer bill is collected by the water company, an administrative fee of $20.00 shall be charged.
Delayed Payment Penalty
The above tariff is net. Any account not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.
Surcharge
$0.47 per 1,000 gallons per month for a period not to exceed eighteen (18) months from the effective date of the tariff will be charged in order to eliminate the arrearage to the Water Development Authority, Rural Utility Service, and the State Revolving Loan Fund.
Returned Check Charge
A service charge equal to the actual bank fee assessed to the sewer utility up to a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.
Leak Adjustment Increment
$0.66 per 1,000 gallons of water is to be used when a bill reflects unusual water consumption which can be attributed to eligible 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
These rates were approved by an Order of the Public Service Commission of West Virginia in Case No. 08-0148-PSD-19A which became final on August 13, 2008, and is effective for all sanitary sewer service and charges rendered on or after August 13, 2008.The District is requesting that the Public Service commission of West Virginia grant it a waiver of the Commission's Rule 42 tariff requirements due to the fact that the District does not anticipate that the proposed project will impact its current sewer rates and charges. The requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Pursuant to W.Va Code 24-2-11, it is ordered that the Flatwoods-Canoe Run Public Service District give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Braxton County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to protest or intervene should file a written protest or notice of intervention within 30 days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protest and interventions should be addressed to Sandra Squire, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323.

It is further ordered that if there is no substantial protest to the Application received within said thirty day period, the Commission may waive formal hearing and grant the application based on the evidence submitted with said application and its review thereof.

For the Commission:
Sandra Squire
Executive Secretary

6-2

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

BOARD MINUTES
January 18, 2011

The January 18, 2011 Board Meeting of the Flatwoods-Canoe Run PSD was held in the conference room at the district's office at 406 Main Street, Sutton, West Virginia. The meeting was called to order at approximately 10:00AM.

PRESENT
John Gibson, FCRPSD Board Chairman
Scott Ratliff, FCRPSD Board Secretary
Lavern Tonkin, FCRPSD Board Treasurer
Rodney Pritt, FCRPSD General Manager
Todd Dingess, Smith, Cochran & Hicks CPAs
Wyatt Hanna, FCRPSD Attorney
Cary Smith, Region VII Planning and Development Council
Fred Hypes, Dunn Engineers
Mike Wilmoth, Bell Engineering
Lee Lowe, Bell Engineering
John Persun, Orders Construction
Griffin McCabe, Orders Construction
Ed Given, Braxton Citizens News

Board Chairman John Gibson opened the meeting by acknowledging all those present.

ROTATION OF THE BOARD CHAIRMANS POSITION
Chairman Gibson addressed the Board of Directors about the possibility of rotating the Board Chairman's position. Commissioner Ratliff & Tonkin declined Chairman Gibson's suggestion.

ELECTION OF OFFICERS FOR 2011
Commissioner Ratliff made a motion to elect Commissioner John Gibson as Board Chairman. Commissioner Tonkin seconded the motion. The motion passed.

Commissioner Tonkin made a motion to elect Commissioner Ratliff to the Board Secretaries position. Commissioner Gibson seconded the motion. The motion passed.

Commissioner Gibson made a motion to elect Commissioner Tonkin to the Board Treasurers position. Commissioner Ratliff seconded the motion. The motion passed.

APPROVAL OF MINUTES
Commissioner Gibson asked for approval of the Board Minutes from the November 16, 2010 board meeting and the December 7, 2010 special meeting. A motion was made to approve the minutes by Commissioner Ratliff and seconded by Commissioner Tonkin. The motion passed.

PUBLIC COMMENT

Commissioner Gibson asked for any public comments. No public comments were made.

WATER AGENDA

Financial Report

Todd Dingess presented his financial report the month of November 2010. There was no financial report for the month of December due to the annual audit being performed. Water revenues are approximately $7,000.00 over budget, while expenditures are approximately $19,000.00 under budget. Sewer revenues are approximately $15,000.00 over budget, while expenditures are approximately $31,000.00 under budget year-to-date.

Water Line Upgrade Project

Fred Hypes stated with the completion of the annual audit, Todd will be able to generate the different rate scenarios for the upgrade project and the extension. Fred advised that this information would be presented to the Board at the next meeting.

Approval of Water Bills & Payments

Commissioner Ratliff made a motion to approve payment of the water bills as presented. Commissioner Tonkin seconded the motion. The motion passed.

WATER PLANT UPGRADE PROJECT

Region VII

Cary Smith of Region VII presented requisition #16 for the project. The total payment requested is $143,101.43. Payments are as follows; Orders Construction in the amount of $130,530.43 and Bell Engineers in the amount of $12,571.00. Commissioner Ratliff made a motion to pay the amounts requested. Commissioner Tonkin seconded the motion. The motion passed.

Progress Report/General Business

Lee Lowe presented the Board with a report outlining the current water treatment plant project. Commissioner Gibson asked if there were any questions on the matter. There were no questions; however, Lee proposed that all questions and comments concerning this matter be addressed at the progress meeting to be held after lunch.

SEWER AGENDA

Current Sewer Project

Wyatt Hanna stated Rodney had provided him with a copy of the D.E.P. commitment letter, committing $8,033,00.00 at 0% interest, 0.5% annual administrative fee, for a term of 38 years. Fred stated he had received an email from the D.E.P. allowing the utility to advertise for bids during the first week in February.

After a brief discussion on the outstanding right-of-ways, the Board agreed that Rodney and Commissioner Gibson should make one last attempt to obtain the right-of-ways prior to condemnations.

Approval of Sewer Bills & Payments
Commissioner Tonkin made a motion to approve the payment of the sewer bills as presented. Commissioner Ratliff seconded the motion. The motion passed.

NEW BUSINESS

Employee Salary Brackets
Rodney Pritt provided the Board with the final draft of the requested employee salary brackets. Rodney explained that if approved, there would be one individual that has successfully completed his probationary period that would receive a raise and two Class II operators that would receive a raise. Rodney further explained that it has been standard operating procedure in the past to give a newly hired employee a raise upon successful completion of their probationary period and the two Class II operators were being underpaid according to industry and county standards for their classification and duties performed.

After a short discussion, Commissioner Tonkin made a motion to adopt the pay brackets as presented. Commissioner Ratliff seconded the motion. The motion passed.

ADJOURNMENT
Commissioner Ratliff made a motion to adjourn the meeting until Tuesday, February 15, 2011 at 10:00AM. Commissioner Tonkin seconded the motion. The motion passed, meeting adjourned.

_____ _____

Chairman Signature Secretary/Treasurer Signature

Flatwoods-Canoe Run Public Service District

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTION, SUPPLEMENTAL RESOLUTION, DRAW RESOLUTION AND SWEEP RESOLUTION

The undersigned SECRETARY 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 District:

*** *** ***

Flatwoods-Canoe Run Public Service District met, pursuant to notice duly posted, on the 7th day of June, 2011, in Sutton, West Virginia, at the hour of 10:00 a.m.

PRESENT: John Gibson, Chairman
Scott Ratliff, Secretary
Lavern Tonkin, Treasurer
Rodney Pritt, General Manager
Katy Mallory, P.E., Steptoe & Johnson PLLC
Wayne Hypes, Dunn Engineers

John Gibson, 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:

RESOLUTION AUTHORIZING THE PAYMENT OF THE SEWERAGE DESIGN BOND ANTICIPATION NOTES, SERIES 2008, THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF $8,033,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2011 A (WEST VIRGINIA SRF PROGRAM); 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 BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Scott Ratliff and seconded by Lavern Tonkin, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Supplemental Bond Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2011 A (WEST VIRGINIA SRF PROGRAM), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE BOND PURCHASE AGREEMENT 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.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Lavern Tonkin and seconded by Scott Ratliff, it was unanimously ordered that the said Supplemental Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed First Draw Resolution for the approval of invoices from the construction loans. Thereupon, on motion duly made by Scott Ratliff and seconded by Lavern Tonkin, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Chairman presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by Lavern Tonkin and seconded by Scott Ratliff, it was unanimously ordered that the said Sweep Resolution be adopted.

*** *** ***

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Flatwoods-Canoe Run Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 24th day of June, 2011.

Secretary

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SPECIAL BOARD MEETING AGENDA
Tuesday, June 7, 2011
10:00AM
Flatwoods-Canoe Run PSD Office
406 Main Street, Sutton, WV 26601

The Flatwoods-Canoe Run Public Service District will hold a **Special Meeting** on Tuesday, June 7, 2011. The purpose of the meeting is to discuss the following:

I. CALL TO ORDER/OFFICIAL OPENING OF MEETING

A. Acknowledgement of those present

II. SEWER AGENDA

A. To consider and act upon a proposed Bond Resolution providing for the issuance of its Sewer Revenue Bonds, Series 2011 A (the "Bonds"). The proceeds of the Bonds will be used (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer; (ii) to pay the interim financing for the Project; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the sewer system of the District.

B. To consider and act upon a proposed Supplemental Resolution providing for the issuance of the Bonds.

C. To consider a Draw Resolution for the payment of invoices from the Bonds.

D. To consider a Sweep Resolution pertaining to the automatic payment of bonds to the Municipal Bond Commission.

III. ADJOURNMENT

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 24-Jun-11

ISSUE: Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program)

ADDRESS: P.O. Box 677, Sutton, West Virginia 26601 COUNTY: Braxton

PURPOSE OF ISSUE:
New Money: x
Refunding:

REFUNDS ISSUE(S) DATED: NA

ISSUE DATE: 24-Jun-11
CLOSING DATE: 24-Jun-11
ISSUE AMOUNT: $8,033,000.00
RATE: 0%; 1/2% Admin Fee
1ST DEBT SERVICE DUE: 1-Mar-13
1ST PRINCIPAL DUE 1-Mar-13
1ST DEBT SERVICE AMOUNT $26,914.30
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm: Jackson Kelly, PLLC
Contact: Samme Gee, Esquire
Phone: (304) 340-1318

CLOSING BANK:
Bank: Bank of Gassaway
Contact: Linda Utt
Phone: 304.364.5138

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Rodney Pritt
Position: General Manager
Phone: 304.765.2300

OTHER:
Agency: West Virginia Department of Environmental Protection
Contact: Rosalie Brodersen
Position: Program Manager
Phone: 926.0499 x 1608

DEPOSITS TO MBC AT CLOSE
By: ____ Wire ____ Check
____ Accrued Interest: $
____ Capitalized Interest: $
____ Reserve Account: $
____ Other: $

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire ____ Check ____ IGT
____ To Escrow Trustee $
____ To Issuer $
____ To Cons. Invest. Fun $
____ To Other: ____ $

NOTES: The Series 2011 A Bonds Reserve Account will be funded monthly and the Issuer has covenanted to transfer the Series 1997 Bonds Reserve Account to the Series 2011 A Bonds Reserve Account upon maturity of the Series 1997 Bonds.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED:
TRANSFERS REQUIRED:

Flatwoods-Canoe Run Public Service District

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Bank of Gassaway, Gassaway, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Flatwoods-Canoe Run Public Service District (the "Issuer") adopted June 7, 2011, and the Supplemental Resolution of the Issuer adopted June 7, 2011 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), dated June 24, 2011, issued in the principal amount of $8,033,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 24th day of June, 2011.

BANK OF GASSAWAY

By: Phyllis Harvey AVP
Its: Authorized Officer

06.02.11
292120.00003

Flatwoods-Canoe Run Public Service District

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

ACCEPTANCE OF DUTIES AS REGISTRAR

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Flatwoods-Canoe Run Public Service District Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), dated June 24, 2011, issued in the principal amount of $8,033,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 24th day of June, 2011.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

06.02.11
292120.00003

5688154

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Flatwoods-Canoe Run Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), of the Issuer, dated June 24, 2011, in the principal amount of $8,033,000, numbered AR-1, were registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 24th day of June, 2011.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

06.02.11
292120.00003

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 24th day of June, 2011, by and between FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $8,033,000 Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program), in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted June 7, 2011, and the Supplemental Resolution of the Issuer duly adopted June 7, 2011 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as EXHIBIT A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

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

REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Registrar shall not discriminate on the basis of race, color, national origin or sex in the performance of this Agreement. The Registrar shall carry out applicable requirements of 40 CFR part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the Registrar to carry out these requirements is a material breach of this Agreement which may result in the termination of this Agreement or other legal available remedies.

9. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

06.03.11
292120.00003

EXHIBIT A

Bond Legislation included in bond transcript as Documents Nos. 1 and 2.

SCHEDULE OF COMPENSATION

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633

Huntington

STATEMENT OF REGISTRAR'S FEES
Invoice Date June 24, 2011

Flatwoods-Canoe Run Public Service District
Account Number 6089001809

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
C/o Katy Mallory
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

****

FEE CALCULATION FOR June, 2011

****

TOTAL AMOUNT	$ 500.00
TOTAL DUE	**$ 500.00**

MAIL CHECK TO:
THE HUNTINGTON NATIONAL BANK
ATTN: BARRY GRIFFITH – WE3013
PO BOX 633
CHARLESTON, WV 25322-0633

PLEASE INCLUDE A COPY OF THIS INVOICE WITH YOUR PAYMENT

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304) 348-5035

OWR Permit Details

(1)OWR Permit	
PERMITTEE	FLATWOODS-CANOE RUN PSD
DEP OFFICE	OWR
PERMIT ID	WV0084042
ISSUE/REISSUE DATE	04/26/07
EXPIRATION DATE	04/25/12
FACILITY NAME	FLATWOODS-CANOE RUN PSD
DESCRIPTION	
No. of CUSTOMERS	1490
DISTURBED ACRES	
SLUDGE TONNAGE	
DESIGN FLOW(MGD)	0.720000
AVERAGE FLOW(MGD)	
MAJOR FACILITY	N
EXTENSION DATE	

(2) County / Quad	
County: Braxton	Quad: GASSAWAY
County: Braxton	Quad: SUTTON

(13) Inspectable Units	
INSPECTABLE UNIT CODE	TYPE
C004	Combined Sewer Overflow
C006	Combined Sewer Overflow
C005	Combined Sewer Overflow
C003	Combined Sewer Overflow
C002	Combined Sewer Overflow
C008	Combined Sewer Overflow
ENTIRE	Entire Default
IU01	Industrial Users(Pretreatment)
IU03	Industrial Users(Pretreatment)
IU02	Industrial Users(Pretreatment)
002	Outlet
001	Outlet
S01	Sludge

(13) Permit Geography		
INSPECTABLE UNIT CODE:	001	**Show Map**
MAGISTERIAL DIST:		

NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	002	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	C002	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 39'50.0000"	
LONGITUDE:	80° 42'38.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	C003	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'10.0000"	
LONGITUDE:	80° 46'45.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	C004	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'17.0000"	
LONGITUDE:	80° 46'43.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	C005	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'26.0000"	
LONGITUDE:	80° 46'38.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	C006	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 38'52.0000"	
LONGITUDE:	80° 46'8.0000"	
COUNTY:		

	Braxton	
INSPECTABLE UNIT CODE:	C008	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'9.0000"	
LONGITUDE:	80° 46'8.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	ENTIRE	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	IU01	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	IU02	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	IU03	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
INSPECTABLE UNIT CODE:	S01	**Show Map**
MAGISTERIAL DIST:		
NEAREST POST OFFICE:		
LATITUDE:	38° 40'0"	
LONGITUDE:	80° 47'50.0000"	
COUNTY:	Braxton	
USWRC WATERSHED:	Elk River	
SCS WATERSHED:	Elk River	
USWRC WATERSHED:		

	Elk River
SCS WATERSHED:	Elk River
USWRC WATERSHED:	Elk River
SCS WATERSHED:	Elk River
USWRC WATERSHED:	Elk River
SCS WATERSHED:	Elk River
USWRC WATERSHED:	Elk River
SCS WATERSHED:	Elk River
USWRC WATERSHED:	Elk River
SCS WATERSHED:	Elk River
USWRC WATERSHED:	Elk River
SCS WATERSHED:	Elk River

ACORD™

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 02/14/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Bill Bailey Insurance Agency
701 Highland Avenue
P. O. Box 246
Williamstown, WV 26187

CONTACT NAME: Renee Shotwell
PHONE (A/C, No, Ext): 304.375.4900 FAX (A/C, No): 304.375.2162
E-MAIL ADDRESS:
PRODUCER CUSTOMER ID #: 00003660

INSURED
Flatwoods Canoe Run PSD
PO Box 677
Sutton, WV 26601

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: American Alternative Insurance	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	
INSURER F:	

COVERAGES CERTIFICATE NUMBER: WV Water Development REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY [X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS-MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [ ] PRO-JECT [ ] LOC	X		PF6053731	02/03/2011	02/03/2012	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 1,000,000 $ 100,000 $ 1,000,000 $ 3,000,000 $ 3,000,000
A	AUTOMOBILE LIABILITY [X] ANY AUTO [ ] ALL OWNED AUTOS [ ] SCHEDULED AUTOS [ ] HIRED AUTOS [ ] NON-OWNED AUTOS			PF6053731	02/03/2011	02/03/2012	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $
A	[ ] UMBRELLA LIAB [X] OCCUR [X] EXCESS LIAB [ ] CLAIMS-MADE [ ] DEDUCTIBLE [ ] RETENTION $			XS3051565	02/03/2011	02/03/2012	EACH OCCURRENCE AGGREGATE	$ 2,000,000 $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y/N [ ] (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					[ ] WC STATU-TORY LIMITS [ ] OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ $ $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

Certificate Holder below is named as Additional Insured

CERTIFICATE HOLDER

WV Water Development Authority
180 Association Drive
Charleston, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

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west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street SE
Charleston, WV 25304
Phone: (304) 926-0495
Fax: (304) 926-0496

Earl Ray Tomblin, Governor
Randy C. Huffman, Cabinet Secretary
dep.wv.gov

December 29, 2010

Mr. Eldred Drake, Chairman
Flatwoods - Canoe Run PSD
P.O. Box 667
Sutton, WV 26601

RE: Flatwoods - Canoe Run PSD
Sanitary Sewer System Improvements
Contract No. 3
Plans and Specifications Approval
SRF No. C-544316

Dear Chairman Drake:

The plans and specifications for the above referenced project are hereby approved.

This approval DOES NOT constitute authority to advertise for bids. You will be advised by separate letter from this agency as to when such an advertisement can be initiated.

Please be advised it will be necessary to issue an addendum to the contract documents prior to opening of bids to include the current State and Federal Labor Wage Determinations. This and all addenda and revisions to the contract documents must be telefaxed to this office for approval and issued to plan holders five (5) days prior to bid opening. Failure to submit addenda in a timely manner will automatically nullify approval to open bids. Any addenda issued inside the five (5) day period prior to the bid opening must include an automatic extension to the bid opening date of a minimum of seven (7) days.

If any questions arise, please contact Corey McComas at (304) 926-0499, ext.1592.

Sincerely,

Mike Johnson, P.E.
Program Manager
Clean Water SRF Program

MJ/cmc
cc: Fred Hypes, P.E., Dunn Engineering, Inc.,

west virginia department of environmental protection

Division of Water and Waste Management
601 57th Street SE
Charleston, WV 25304
Phone: (304) 926-0495
Fax: (304) 926-0496

Joe Manchin III, Governor
Randy C. Huffman, Cabinet Secretary
www.wvdep.org

December 1, 2009

Mr. Eldred Drake, Chairman
Flatwoods - Canoe Run PSD
P.O. Box 667
Sutton, WV 26601

RE: Flatwoods - Canoe Run PSD
Sanitary Sewer System Improvements
Contract No. 1 & No. 2
Plans and Specifications Approval
SRF No. C-544316

Dear Chairman Drake:

The plans and specifications for the above referenced project are hereby approved.

This approval DOES NOT constitute authority to advertise for bids. You will be advised by separate letter from this agency as to when such an advertisement can be initiated.

Please be advised it will be necessary to issue an addendum to the contract documents prior to opening of bids to include the current State and Federal Labor Wage Determinations. This and all addenda and revisions to the contract documents must be telefaxed to this office for approval and issued to plan holders five (5) days prior to bid opening. Failure to submit addenda in a timely manner will automatically nullify approval to open bids. Any addenda issued inside the five (5) day period prior to the bid opening must include an automatic extension to the bid opening date of a minimum of seven (7) days.

If any questions arise, please contact Corey McComas at (304) 926-0499, ext.1592.

Sincerely,

Mike Johnson

Mike Johnson, P.E.
Program Manager
Clean Water SRF Program

MJ/cmc
cc: Fred Hypes, P.E., Dunn Engineering, Inc.,

WEST VIRGINIA
Water Development Authority
Celebrating 36 Years of Service ***1974 - 2010***

June 24, 2011

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

TO WHOM IT MAY CONCERN:

In reliance upon a certificate of Smith, Cochran & Hicks P.L.L.C., independent certified public accountants, and an opinion of Steptoe & Johnson PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the present holder of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program) (the "Series 2011 A Bonds"), in the principal amounts of $8,033,000, by Flatwoods-Canoe Run Public Service District (the "Issuer"), under the terms of the resolution authorizing the Series 2011 A Bonds on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's: (i) Sewer Revenue Bonds, Series 1990 A (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds"); (ii) Sewer Revenue Bonds, Series 1991 A (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991 A Bonds); (iii) Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000 (the "Series 1994 Bonds"); and (iv) Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), dated February 10, 1997, issued in the original aggregate principal amount of $400,000 (the "Series 1997 Bonds"); and senior and prior to the Issuer's: (i) Sewer Revenue Bonds, Series 1990 B (West Virginia Water Development Authority), dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds"); and (ii) Sewer Revenue Bonds, Series 1991 B (West Virginia Water Development Authority), dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991 B Bonds") (hereinafter collectively, the "Prior Bonds").

Carol A. Cummings
Authorized Representative

06.02.11
292120.00003

180 Association Drive, Charleston, WV 25311-1217
Phone (304) 558-3612 / fax (304) 558-0299
www.wvwda.org

USDA Rural Development
United States Department of Agriculture
Rural Development
West Virginia State Office

June 24, 2011

Flatwoods-Canoe Run Public Service District
Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

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 Series 1990 C Bonds, hereinafter defined and described, hereby (a) consents to the issuance of the Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program) in the principal amount of $8,033,000, (the "Series 2011 A Bonds") by Flatwoods-Canoe Run Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Series 2011 A Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Sewer Revenue Bonds, Series 1990 C (United States Department of Agriculture), dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C 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.

State Director

06.02.11
292120.00003

"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, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

COPY

RECEIVED
SEP 27 2004
DUNN ENGINEERS, INC.

DEPARTMENT OF THE ARMY
HUNTINGTON DISTRICT, CORPS OF ENGINEERS
502 EIGHTH STREET
HUNTINGTON, WEST VIRGINIA 25701-2070

REPLY TO
ATTENTION OF

Planning, Programs and Project Management Division
Planning Branch, Plan Formulation Section

Mr. Stephen Saunders
Flatwoods/Canoe Run Public Service District
P.O. Box 677
Sutton, WV 26601

Dear Mr. Saunders:

On behalf of the U.S. Army Corps of Engineers' Section 571 Program, I am pleased to inform you that your request for funding for the Flatwoods/Canoe Run PSD Wastewater Treatment upgrade project was approved. The competition for this funding allocation was close and your project was deemed appropriate under the criteria established. An award in the amount of $500,000, which is 75% of the total project cost, was authorized.

This is a reimbursable program and should not be considered a grant program. The Corps of Engineers is authorized to provide assistance for a defined scope of work with cost sharing at 75% Federal and 25% local. You will be working with a Corps project manager on the development of a scope of work and he will also provide you with program details. Any cost estimates at this point should be considered preliminary.

We congratulate you and look forward to continuing to work together to make West Virginia a better place for us all. Mr. Ted Scholer of the Huntington District will be contacting you soon to discuss project requirements and implementation schedule. If you need to contact him, he can be reached at (304) 399-5943.

Sincerely,

William E. Bulen
Colonel, Corps of Engineers
Commanding

STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

BOB WISE
GOVERNOR

December 6, 2004

Mr. James E. Rogers
Chairman
Flatwoods-Canoe Run Public Service District
Post Office Box 677
Sutton, West Virginia 26601-2300

Dear Mr. Rogers:

Thank you for your fiscal year 2005 application to the Governor's Community Partnership Grant Program.

Your request has been approved in the amount of $99,000. These funds will enable the Flatwoods-Canoe Run Public Service District to extend sewer service along Forest Products Road near Gassaway. The project will include the installation of new lines, pumping station, and a river crossing.

Please contact Mrs. Beth Plumley of the West Virginia Development Office, at (304) 558-4010, to complete the necessary contract in order to proceed with your project.

I am pleased to work with you to make this improvement a reality for the citizens of Braxton County.

Very truly yours,

Bob Wise
Governor

BW:bpd

RECEIVED
JAN 31 2005
DUNN ENGINEERS, INC.

Michael Motors

Central West Virginia's Award Winning Dealer!

JANUARY 5, 2005

STEVE SANDERS
GENERAL MANAGER
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
PO BOX 677
SUTTON, WV 26601

RE: FORREST PRODUCTS ROAD SEWER LINE EXTENSION

DEAR MR. SANDERS:

PLEASE FIND THIS WRITTEN CONFIRMATION CONCERNING OUR PREVIOUSLY DISCUSSED VERBAL COMMITMENT TO THE FORREST PRODUCTS ROAD SEWER LINE EXTENSION PROJECT CURRENTLY BEING PLANNED BY THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT.

OUR COMPANY WILL CONTRIBUTE A TOTAL OF $20-THOUSAND DOLLARS TOWARD THE CONSTRUCTION OF THE PROJECT. SHOULD YOU HAVE ANY QUESTIONS CONCERNING THIS LETTER, PLEASE DO NOT HESITATE TO CONTACT THIS OFFICE.

SINCERELY,

MICHAEL MOTOR COMPANY INC.
GARY REXROAD-SEC/TREAS.

1061 State Street * Gassaway, West Virginia 26624
(304) 364-5132 * 1-800-427-2389 * Fax: (304) 364-5935
www.michaelmotors.com

West Virginia
Open for Business!

WEST VIRGINIA DEVELOPMENT OFFICE

1900 Kanawha Boulevard East • Charleston, WV 25305-0311
(304) 558-2234 • (800) 982-3386 • www.wvcommerce.org

May 13, 2011

Mr. Rodney Pritt
General Manager
Flatwoods Canoe Run Public Service District
Post Office Box 677
Sutton, West Virginia 26601-0677

Dear Mr. Pritt:

Thank you for your letter concerning a $99,000 Governor's Community Participation Grant for the Forest Products Road wastewater project near Gassaway approved December 6, 2004, and expired on June 30, 2009.

All contracts for grants are on a June 30 expiration date, but may be extended twice, to give the grantee 3 years to complete the project. At the end of the 3 year contract period, a request was made for an additional extension and approved by our office to 6/30/2009. No other requests for extensions were received or approved.

After review, I am pleased to inform you that Governor Tomblin has approved the original commitment of $99,000, allowing the extension of the original contract to June 30, 2012. It is our hope that this project can now go to construction and be completed for the citizens of Braxton County.

If you have questions concerning this matter, please contact Mrs. Debbie Legg at 304 558-2243.

Sincerely,

J. Keith Burdette
Secretary of Commerce

JKB:dld

cc: Senator Doug Facemire
Delegate Brent Boggs

FLATWOODS CANOE-RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2011 A
(West Virginia SRF Program)

RECEIPT AND RELEASE

Branch Banking and Trust Company, as the holder of the Flatwoods-Canoe Run Public Service District's Sewerage Design Bond Anticipation Notes, Series 2008, dated October 21, 2010, issued in the original aggregate principal amount of $610,954.79 (the "Prior Notes") hereby certifies that it has received the sum of $626,190.03, from Flatwoods-Canoe Run Public Service District and that such sum is sufficient to pay the entire principal amount of and interest accrued on each the Prior Notes to the date hereof and discharge the liens, pledges and encumbrances securing the Prior Notes.

Dated this 24th day of June, 2011.

BRANCH BANKING AND TRUST COMPANY

By: _____
Its: Authorized Officer

292120.00003

5767595

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWERAGE DESIGN BOND ANTICIPATION NOTE,
SERIES 2008

No. R-1

$610,954.79

KNOW ALL MEN BY THESE PRESENTS: This 21st day of October, 2010 that the 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 sources and in the manner hereinafter set forth, to the order of

- BRANCH BANKING AND TRUST COMPANY-

or registered assigns (the "Registered Owner"), the principal sum of SIX HUNDRED TEN THOUSAND NINE NUDRED FIFTY-FOUR AND 79/100 DOLLARS ($610,954.79), together with interest payable thereon at maturity on October 21, 2011, from the date thereof at the rates per annum set forth as follows:

A. Interest on this Note shall be payable at the rate of 3.70% per annum (hereinafter sometimes called the "Tax-Exempt Rate").

B. Notwithstanding any other provision herein, in the event the interest on this Note is declared to be includible in gross income for federal income tax purposes by the Internal Revenue Service ("Determination of Taxability"), interest on this Note shall be payable at the rate of 5.68% per annum (hereinafter sometimes called the "Taxable Rate"). Interest at the Taxable Rate shall commence to accrue on the date of Determination of Taxability and such interest rate shall be charged retroactively and prospectively for all periods in which interest paid on this Note is asserted, declared or determined to be includible in gross income for federal income tax purposes, and shall continue until the entire principal of and interest on this Note are paid, notwithstanding that the entire principal amount of this Note may have been paid in full prior to the Determination of Taxability. Any interest being past due on this Note by reason of such increase shall become immediately due and payable.

The principal of and interest on this Note are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of Branch Banking and Trust Company, Charleston, West Virginia, as Registrar and Paying Agent.

The loan evidenced by this Note shall be advanced to the Issuer as requested by the Issuer 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.

This Note is subject to prepayment of the principal balance in whole on a scheduled payment date with no prepayment premium.

This Note is issued (i) to temporarily finance a portion of the costs of design and other preliminary costs of certain betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay the costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System". This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Notes Resolution duly enacted by the Issuer on July 15, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on July 15, 2008, Second Supplemental Resolution duly adopted by the Issuer on August 10, 2009, and Third Supplemental Resolution duly adopted on October 19, 2010 (collectively, the "Notes Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Note are payable only from and secured by a first lien on (i) the proceeds of revenue bonds or other obligations of the Issuer to be issued subsequent to the issuance of the Notes; (ii) the proceeds of any grants received by the Issuer for the Project; and (iii) Surplus Revenues, if any, of the System. The monies from these sources shall be deposited into the Notes Payment Fund established under the Notes Legislation for the prompt payment of the principal of and interest on this Note.

THIS NOTE IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS"); SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS"); SEWER REVENUE BONDS, SERIES 1991 A, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991 A BONDS"); SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM, DATED APRIL 26, 1994, ISSUED IN THE ORIGINAL

AGGREGATE PRINCIPAL AMOUNT OF $2,896,000 (THE "SERIES 1994 BONDS"); SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), DATED FEBRUARY 11, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $400,000 (THE "SERIES 1997 BONDS"); SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); SEWER REVENUE BONDS, SERIES 1991 B, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991 B BONDS") (THE "PRIOR BONDS").

This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the sources set forth above. Under the Notes Legislation, the Issuer has entered into certain covenants with the Registered Owner, for the terms of which reference is made to said Notes Legislation. Remedies provided the Registered Owner are exclusively as provided in the Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Notes Legislation, only by transfer of registration upon the books of Branch Banking and Trust Company, Charlotte, West Virginia (the "Registrar"), to be made at the request of the Registered Owner hereof in person or by his attorney duly authorized in writing, and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney.

All monies received from the sale of this Note shall be applied solely to the payment of the costs of design of the Project and the costs of issuance and related costs described in the Notes Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the Registered Owner of this Note.

Under the Act, this Note and the interest hereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

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

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

law, and that the Notes, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

This Note shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

[Remainder of Page Intentionally Left Blank]

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

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Note is one of the Notes described in and issued under the provisions of the within-mentioned Notes Legislation and has been duly registered in the name of the registered owner set forth above.

Date: October 21, 2010.

BRANCH BANKING AND TRUST COMPANY,
as Registrar

By: _____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $610,954.79	October 21, 2010	(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 $610,954.79

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within-mentioned Note and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Note on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____, 20___.

_____

IN THE PRESENCE OF:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

CLOSING MEMORANDUM

To: **Financing Team**

From: **John C. Stump, Esquire**

Date: **June 24, 2011**

Re: **Flatwoods-Canoe Run Public Service District,**
Sewer Revenue Bonds, Series 2011 A (West Virginia SRF Program)

DISBURSEMENTS TO THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Payor:	West Virginia Department of Environmental Protection
Source:	Series 2011 A Bonds Proceeds
Amount:	$124,532
Form:	Wire
Payee:	Flatwoods-Canoe Run Public Service District 406 Main Street, Sutton, West Virginia 26601
ABA #:	051502748
Account #:	140562
Bank:	Bank of Gassaway, 700 Elk Street, Gassaway, WV 26624
Contact:	Linda Utt, 304.364.5138
Account:	Series 2011 A Bonds Construction Trust Fund

DISBURSEMENTS TO BRANCH BANKING AND TRUST COMPANY

Payor:	West Virginia Department of Environmental Protection
Source:	Series 2011 A Bonds Proceeds
Form:	Wire
Amount:	$604,476
Payee:	Branch Banking & Trust Company 223 West Nash Street, Wilson, NC 27893
ABA #:	053101121
Account #:	5214994315
Purpose:	Pay Series 2008 A Notes – Contract 003-0612033-004

Payor:	Flatwoods-Canoe Run Public Service District
Form:	wire
Amount:	$21,714.03
Payee:	Branch Banking & Trust Company 223 West Nash Street, Wilson, NC 27893
ABA #:	053101121
Account #:	5214994315
Purpose:	Pay Series 2008 A Notes - Contract 003-0612033-004

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

MEMORANDUM

To: Bank of Gassaway

From: Katy Mallory
Project Finance Manager

Date: June 24, 2011

Re: Wiring Instructions

FROM: Flatwoods Canoe Run PSD
Bank of Gassaway
ABA #: 051502748
Account #:140562

TO: Branch Banking & Trust Company
223 West Nash Street, Wilson, NC 27893

Form:	Wire
Amount:	$21,714.03
ABA #:	053101121
Account #:	5214994315
Purpose:	Pay Series 2008 A Notes – Contract 003-0612033-004

292120.00003

RESOLUTION OF THE FLATWOODS CANOE RUN PUBLIC SERVICE DISTRICT APPROVING INVOICES RELATING TO SERVICES FOR THE PROPOSED SEWER PROJECT AND AUTHORIZING PAYMENT THEREOF,

WHEREAS, the Flatwoods Canoe Run Public Service District, has reviewed the invoices attached hereto and incorporated herein by reference relation to the Project funded in part by the Clean Water State Revolving Fund (SRF)and Corps of Engineers (COE) and find as follows:

a) That none of the items for which 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 paid 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.

d) That the payment for each of the items proposed is due and owing.

NOW, THEREFOR, BE IT RESOLVED Flatwoods Canoe Run Public Service District by as follows: There is hereby authorized and directed the payment of the attached invoices as follows:

Vendor	Total	SRF	COE	Local	GPG
BB&T Design Loan	626,190.03	604,476.00	0.00	20,000.00	1,714.03
Steptoe & Johnson	29,500.00	29,500.00	0.00	0.00	0.00
Huntington Bank	500.00	500.00	0.00	0.00	0.00
Dunn Engineers	77,781.94	77,781.94	0.00	0.00	0.00
Smith Cochran & Hicks	16,750.00	16,750.00	0.00	0.00	0.00
TOTAL	750,721.97	729,007.94	0.00	20,000.00	1,714.03

ADOPTED BY the Flatwoods Canoe Run Public Service District, at the meeting held on the 7th day of June, 2011

Flatwoods Canoe Run Public Service District

By: John E Gibson

Its: Chairman

Rev. 10/01/04

PAYMENT REQUISITION FORM

1. LOAN RECIPIENT/VENDOR:

NAME: Flatwoods Canoe Run Public Service District

ADDRESS: PO Box 677
Sutton, WV 26601

DUNS 044175610
FEIN: 55-0532503

2. SRF PROJECT C-544316

3. INVOICE NUMBER: 1

4. PERIOD COVERED BY THIS REQUEST:
FROM (MO/DAY/YR) 1/1/2006 TO (MO/DAY/YR) 5/23/2011

5. PERCENTAGE OF PHYSICAL CONSTRUCTION COMPLETION 0%

CLASSIFICATION	A) APPROVED BUDGET	B) PREVIOUS APPROVED TOTALS	C) THIS REQUEST	D) TOTAL COLUMNS B & C	E) AGENCY USE ONLY
1) CONSTRUCTION	6,188,335.00	0	0.00	0.00	
2) Power to Site	100,000.00	0	0.00	0.00	
3) Equipment	50,279.00	0	0.00	0.00	
4) TECHNICAL					
Planning	0.00	0	0.00	0.00	
Design	59,689.00	0	56,738.00	56,738.00	
Construction Basic	72,000.00	0	0.00	0.00	
Inspection	360,500.00	0	0.00	0.00	
Special Services	97,904.00	0	21,044.00	21,044.00	
5) LEGAL	46,500.00	0	0.00	0.00	
6) ACCOUNTING	16,750.00	0	16,750.00	16,750.00	
7) ADMINISTRATIVE	50,000.00	0	0.00	0.00	
8) LINE OF CREDIT	604,476.00	0	604,476.00	604,476.00	
9) CONTINGENCY	331,567.00	0	0.00	0.00	
10) DOH Bond	25,000.00	0	0.00	0.00	
11) CLOSING COST	30,000.00	0	30,000.00	30,000.00	
12) SUBTOTAL	8,033,000.00	0.00	729,008.00	729,008.00	
13) LESS PREVIOUSLY PAID					
14) INVOICE AMOUNT					

15) RECIPIENT AUTHORIZED SIGNATURE
DATE: 6/7/2011

TYPED OR PRINTED NAME AND TITLE

16) PERSON PREPARING FORM SIGNATURE
Date: 6/7/2011

Katy Mallory
TYPED OR PRINTED NAME AND TITLE

AGENCY USE ONLY:

THIS REQUEST APPROVED BY: WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION

PROJECT REVIEWER	DATE	AUTHORIZED OFFICER	DATE

ACCOUNTING CLASSIFICATION - DEP USE ONLY

ACCOUNTING NUMBER:	AMOUNT APPROVED:
350 - 1 350 - 2	

SWEEP RESOLUTION

WHEREAS, Flatwoods-Canoe Run Public Service District (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes monthly debt service payments on the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

WHEREAS, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer find and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic transfer with the State Treasurer **sweeping** the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, shall be made to the MBC by electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.

2) The Chairman and Secretary are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.

3) This resolution shall be effective immediately upon adoption.

Adopted this 7th day of June, 2011.

Chairman

Secretary

5688132

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS,
SERIES 1990 A, SERIES 1990 B AND SERIES 1990 C
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION
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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE 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 $1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 A, NOT MORE THAN $200,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 B, NOT MORE THAN $1,400,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 C, AND NOT MORE THAN $4,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH SERIES 1990 A AND SERIES 1990 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 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. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Braxton County of said State.

B. The Issuer does not presently own or operate a public sewerage system or public sewerage facilities, and it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain sewerage facilities of the Issuer, consisting of a new 0.3 MGD secondary waste treatment plant, collector lines, sewer lines, 7 lift stations, man holes, access roads, force main and house connections for a complete sanitary sewer system, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the Project and any additions or improvements thereto or extensions thereof is herein called the "System") at an estimated cost of $7,558,590, 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 estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $2,900,000 in three series, being the Series 1990 A Bonds in the aggregate principal amount of not more than $1,300,000, the Series 1990 B Bonds in the aggregate principal amount of not more than $200,000, and the Series 1990 C Bonds in the aggregate principal amount of not more than $1,400,000 (collectively, the "Original Bonds"), and (at the option of the Issuer) to issue its sewerage system bond anticipation notes prior to issuance of the Original Bonds and contemporaneously therewith, or as soon as practicable thereafter, to issue its sewerage system grant anticipation notes, and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than $4,000,000 to temporarily finance costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for a period not exceeding 6 months

after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and/or the Notes 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, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the Notes 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 Original Bonds constituting the Series 1990 A Bonds and the Series 1990 B Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by supplemental resolution, and, further, it is in the best interests of the Issuer that its Original Bonds constituting the Series 1990 C Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of a Letter of Conditions dated September 29, 1988, as amended by amendments dated November 9, 1988, and July 17, 1989, and any other amendments thereto (collectively, the "Letter of Conditions").

G. There are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Bonds as to liens and source of and security for payment. The Series 1990 A Bonds and the Series 1990 C Bonds shall be on a parity with each other except as otherwise provided herein. The Series 1990 B Bonds shall be junior and subordinate to the Series 1990 A Bonds and the Series 1990 C Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Grant Anticipation Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such Grant

Anticipation Notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Grant Anticipation Notes. The Bond Anticipation Notes, if issued, will be payable from the proceeds of the Bonds (or individual series thereof), certain proceeds of such Bond Anticipation Notes and the Net Revenues, if necessary and if available, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Bond Anticipation Notes. The Issuer has outstanding its $152,000 Water System Revenue Bonds, dated January 1, 1971, which are not payable from or entitled to any lien on or pledge of any of the revenues of the System or a statutory mortgage lien thereon.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and the issuance of the Bonds and the Notes, 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 Bonds or any of the Notes or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, respectively, 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 and between any one Note of a series and any other Note of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"ARC" means the Appalachian Regional Commission and any successor to the functions of the ARC.

"ARC Grant" means the grant from the ARC pursuant to the commitment therefor.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds constituting the Series 1990 A Bonds and the Series 1990 B Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

"Bond Registrar" shall have the meaning stated in Section 3.03 hereof, as applicable.

"Bond Year" means each one-year period (or shorter period from the date of issue of the Original Bonds) that ends at the close of business on the day in the calendar year that is selected by the Issuer, which must be the last day of a compounding interval used in computing the yield on the issue under the Code, and shall be October 1 unless otherwise required under the Code.

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

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

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

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

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., 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 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

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

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

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

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

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

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

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

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, 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; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

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

Grant Receipts on account of the EPA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

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

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

"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.

"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," "Borrower" or "District" means 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.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated September 29, 1988, as amended by amendments dated November 9, 1988, and July 17, 1989, and any other amendments thereto.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds constituting the Series 1990 A Bonds and the Series 1990 B 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 Original Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective 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 Original Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

"Notes" means, collectively, the not more than $4,000,000 in aggregate principal amount of sewerage system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution pertaining to such Notes and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $1,300,000 in aggregate principal amount of Series 1990 A Bonds, the not more than $200,000 in aggregate principal amount of Series 1990 B Bonds and the not more than $1,400,000 in aggregate principal amount of Series 1990 C Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means the grant from the Purchaser and the ARC Grant, together with any other grant other than the EPA Grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated (where applicable) and delivered, or all Notes theretofore and thereupon being authenticated and delivered,

except (i) any Bond or Note cancelled by the Bond Registrar or Notes Registrar, at or prior to said date; (ii) any Bond or Note 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 or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Note deemed to have been paid as provided in Article X hereof or as provided in the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes 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 bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"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.

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

"Project" means the acquisition and construction of certain sewerage facilities of the Issuer, consisting generally of a new 0.3 MGD secondary waste treatment plant, collector lines, sewer lines, 7 lift stations, man holes, access roads, force main and house connections for a complete sanitary sewer system, together with all appurtenant facilities.

"Purchaser" or "Government" means the United States Department of Agriculture, Farmers Home Administration, which is

expected to be the original purchaser of the Original Bonds constituting the Series 1990 C Bonds, and any successor thereof.

"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 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, Inc. or Standard & Poor's Corporation.

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

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar, or both.

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

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

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

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

"Series 1990 A Bonds" or "Series A Bonds" means the not more than $1,300,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1990 A, of the Issuer.

"Series 1990 A Bonds Reserve Account" means the Series 1990 A Bonds Reserve Account established in the Series 1990 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1990 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 1990 A Bonds in the then current or any succeeding year.

"Series 1990 A Bonds Sinking Fund" means the Series 1990 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1990 B Bonds" or "Series B Bonds" means the not more than $200,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1990 B, of the Issuer.

"Series 1990 B Bonds Reserve Account" means the Series 1990 B Bonds Reserve Account established in the Series 1990 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1990 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1990 B Bonds in the then current or any succeeding year.

"Series 1990 B Bonds Sinking Fund" means the Series 1990 B Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1990 C Bonds" or "Series C Bonds" means the not more than $1,400,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1990 C, of the Issuer.

"Series 1990 C Bonds Reserve Account" means the Series 1990 C Bonds Reserve Account established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"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 Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter 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 $7,558,590, 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 Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1990 A Bonds and the Series 1990 C Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Original Bonds and related costs, or any one or more of such purposes, as determined by the Supplemental Resolution, there shall be and are authorized to be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $2,900,000. Said Bonds shall be issued in three series, to be designated respectively, "Sewer Revenue Bonds, Series 1990 A," in the aggregate principal amount of not more than $1,300,000, "Sewer Revenue Bonds, Series 1990 B," in the aggregate principal amount of not more than $200,000, and "Sewer Revenue Bonds, Series 1990 C," in the aggregate principal amount of not more than $1,400,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Grant Anticipation Notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 1990 A Bonds and the Series 1990 B Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Series 1990 A Bonds and the Series 1990 B 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 1990 A Bonds and the Series 1990 B Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

B. The Series 1990 C Bonds shall be issued in the form of a single, fully registered Bond in the principal amount of not to exceed $1,400,000, numbered CR-1, shall be dated the date of delivery

thereof and shall be in such principal amount as set forth in a Supplemental Resolution. The Series 1990 C Bonds shall bear interest on advances of the principal amount thereof from the date of such advances, payable monthly at the rate not exceeding the then legal maximum as the Issuer shall prescribe in a Supplemental Resolution, and shall be sold for the par value thereof. The Series 1990 C 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 a Supplemental Resolution and/or the Bond form hereinafter set forth.

Unless otherwise provided by the Supplemental Resolution or herein, the Original Bonds shall be issued in the form of a single bond for each series, with the Series 1990 A Bonds and the Series 1990 B Bonds fully registered to the Authority and the Series 1990 C Bonds fully registered to the Purchaser, with a debt service schedule attached to the Series 1990 A Bonds and the Series 1990 B Bonds, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Authority nor the Purchaser shall be obligated to pay any expenses of such exchange.

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

Section 3.03. Bond Registrar. A. The Bond Registrar for the Series 1990 A Bonds and the Series 1990 B Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

B. The Issuer shall be the Bond Registrar with respect to the Series 1990 C Bonds and will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Series 1990 C Bonds, and, upon presentation for such purpose, the Issuer shall, under such reasonable regulations as it may prescribe, register the Series 1990 C Bonds initially issued pursuant hereto and/or a Supplemental Resolution and register the transfer, or cause to be registered, on such books, the transfer of the Series 1990 C Bonds as hereinafter provided.

The Issuer shall accept the Series 1990 C Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, 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 Series 1990 C Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America, Farmers Home Administration. So long as the Series 1990 C Bonds shall be registered in the name of the United States of America, Farmers Home Administration, the address of the United States of America, Farmers Home Administration, for registration purposes shall be Post Office Box 678, Morgantown, West Virginia 26505, or such other address as shall be stated in writing to the Issuer by the United States of America, Farmers Home Administration.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No Series 1990 A Bond or Series 1990 B 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 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.

The provisions of this Section 3.05 relating to authentication and other provisions of this Bond Legislation relating to authentication of Bonds shall not apply to the Series 1990 C Bonds, notwithstanding anything herein to the contrary.

Section 3.06. 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 for the Bonds other than the Series 1990 C Bonds, shall keep and maintain books for the registration and transfer of the respective series of Bonds.

Subject to the provisions of Section 3.03 with respect to the Series 1990 C Bonds, the registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

Section 3.07. 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 (where applicable) 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 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of all the Series 1990 A Bonds and all the Series 1990 C 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 basis. The payment of the debt service of all the Series 1990 B Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, but junior and subordinate to the lien on such Net Revenues in favor of the Holders of the Series 1990 A Bonds and the Series 1990 C Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.10. Form of Original Bonds. The text of the Original Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and

desirable and authorized or permitted hereby or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1990 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1990 A

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 ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19__. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 19__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewerage facilities of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] to pay certain costs of issuance hereof and related costs. The Project and any additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 19____, and a Supplemental Resolution duly adopted by the Issuer on _____, 19__ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Sewer Revenue Bonds, Series 1990 B, of the Issuer (the "Series 1990 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1990 B Bonds are junior and subordinate with respect to liens, pledge and source of and security for payment to the Bonds.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 C BONDS"), EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE BOND LEGISLATION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1990 A Bonds Reserve Account"), unexpended proceeds of the Bonds and the Series 1990 B Bonds and the other sources provided in the Bond Legislation. 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 1990 A Bonds Reserve Account, unexpended proceeds of the Bonds and the Series 1990 B Bonds and the other sources provided in the Bond Legislation. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1990 B Bonds, the Series 1990 C Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, the Series 1990 B Bonds or the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1990 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1990 B Bonds, the Series 1990 C Bonds and any other obligations outstanding prior to or on a parity with the Bonds, the Series 1990 B Bonds or the Series 1990 C 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, 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 _____, 19__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1990 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1990 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1990 B

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 ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 19__.

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

Issuer on _____, 19____, and a Supplemental Resolution duly adopted by the Issuer on _____, 19____ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) SEWER REVENUE BONDS, SERIES 1990 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 A BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1990 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 C 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1990 A Bonds and the Series 1990 C Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1990 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1990 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the

Series 1990 A Bonds, the Series 1990 C Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1990 A Bonds, the Series 1990 C Bonds or the Bonds, provided, however, that so long as there exists in the Series 1990 B Bonds Reserve Account and the reserve accounts established for the Series 1990 A Bonds and the Series 1990 C Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations is funded at least at 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 One Valley Bank, National Association, 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1990 A Bonds and the Series 1990 C Bonds to the extent provided in the Bond Legislation.

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 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 _____, 19__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1990 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1990 C Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1990 C

No. CR-____ $_____

FOR VALUE RECEIVED, the FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, Farmers Home Administration (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

_____
DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% 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 $_____, 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 Farmers Home Administration 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 is issued to finance a portion of the costs of acquisition and construction of new sewerage facilities of the Issuer, and 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 construction and acquisition of additions, extensions and improvements to the sewerage 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, nor shall the Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

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 said 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 and a resolution supplemental thereto duly adopted (collectively, 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 Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON PARITY WITH THE BORROWER'S SEWER REVENUE BONDS, SERIES 1990 A, AND SENIOR AND PRIOR TO THE BORROWER'S SEWER REVENUE BONDS, SERIES 1990 B, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, BOTH ISSUED CONCURRENTLY HEREWITH AND

DESCRIBED IN THE RESOLUTION, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE 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, and has caused this Bond to be dated _____, 19_____.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman
(Title of Executive Official)

Post Office Box 677
(P. O. Box No. or Street Address)

Sutton, West Virginia 26601
(City, State and Zip Code)

ATTEST:

_____
(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

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:

_____

Section 3.11. Sale of Original Bonds to Authority and Purchaser; Approval and Ratification of Execution of Loan Agreement with Authority. The Original Bonds constituting the Series 1990 A Bonds and the Series 1990 B 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 Original Bonds constituting the Series 1990 C Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions.

Section 3.12. "Amended Schedule A" Filing; Tender of Series 1990 B Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1990 B Bonds to the Issuer for payment in an amount equal to such excess to the extent such excess is lawfully available therefor. Notwithstanding the foregoing, if the Issuer has Notes outstanding upon completion of acquisition and construction of the Project, it will advise the Authority of such fact and submit a second schedule to the Authority upon payment of such Notes, and the Authority will not tender its Series 1990 B Bonds for payment until the outstanding Notes have been paid.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $4,000,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Net Revenues (if issued in the form of Bond Anticipation Notes) or the Grant Receipts, the Surplus Revenues and letter of credit proceeds (if issued in the form of Grant Anticipation Notes) and from other sources described in the Indenture and/or a supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree

to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $4,000,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

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 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) Renewal and Replacement Fund;

(3) Bond Construction Trust Fund; and

(4) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

(1) Series 1990 A Bonds Sinking Fund;

(a) Within the Series 1990 A Bonds Sinking Fund, the Series 1990 A Bonds Reserve Account;

(2) Series 1990 B Bonds Sinking Fund;

(a) Within the Series 1990 B Bonds Sinking Fund, the Series 1990 B Bonds Reserve Account; and

(3) Series 1990 C 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 Operating Expenses of the System.

(2) The Issuer shall next, (i) each month, on or before the due date of payment of each installment on the Series 1990 C Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1990 C Bonds (or such other place as may be subsequently provided pursuant to the Series 1990 C Bonds), the amount required to pay the interest on the Series 1990 C Bonds, and to amortize the principal of the Series 1990 C Bonds over the life of such Bond issue, (ii) simultaneously with the transfer set forth in Subsection 5.03A(2)(i), on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1990 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1990 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1990 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 1990 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and (iii), simultaneously with the transfers set forth in Subsections 5.03A(2)(i) and (ii), on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1990 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1990 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1990 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1990 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date. All the payments with respect to principal of and interest on the Series 1990 A Bonds and the Series 1990 C Bonds shall be made on an equal pro rata basis and on a parity with each other to the fullest extent possible.

(3) The Issuer shall next, (i) on each date that payment is made as set forth in Subsection 5.03A(2)(i)

above, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1990 C Bonds Reserve Account, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum amount of principal and interest which will become due on the Series 1990 C Bonds in any year, until the amount in the Series 1990 C Bonds Reserve Account equals such maximum amount (the "Minimum Reserve"), and (ii), simultaneously with the transfer set forth in Subsection 5.03A(3)(i), on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1990 A Bonds, if not fully funded upon issuance of the Series 1990 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1990 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1990 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1990 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 1990 A Bonds Reserve Requirement. After the Series 1990 A Bonds Reserve Requirement and the Minimum Reserve have been accumulated in the respective Reserve Accounts, the Issuer shall monthly deposit into the respective Reserve Accounts such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on or with respect to the Series 1990 A Bonds and the Series 1990 C Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Series 1990 A Bonds Reserve Requirement and the Minimum Reserve in the respective Reserve Accounts on an equal pro rata basis and on a parity with each other. Moneys in the Series 1990 C Bonds Reserve Account shall be used solely to make up any deficiency for monthly payments of the principal of and interest on or with respect to the Series 1990 A Bonds and the Series 1990 C Bonds, respectively, as the same shall become due on an equal pro rata basis and on a parity with each other, or for prepayment of installments on the Series 1990 A Bonds and the Series 1990 C Bonds pro rata, or for mandatory prepayment of the Series 1990 A Bonds and the Series 1990 C Bonds as hereinafter provided, on a pro rata basis, and for no other purpose.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, transfer to the Renewal and Replacement Fund a sum equal to

2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1990 A Bonds Reserve Account and the Series 1990 C Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby] shall be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis, and, thereafter, any deficiencies in the Series 1990 B Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby] shall next be promptly eliminated with moneys from the Renewal and Replacement Fund.

(5) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1990 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1990 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1990 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1990 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(6) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1990 B Bonds, if not fully funded upon issuance of the Series 1990 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1990 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1990 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1990 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 1990 B Bonds Reserve Requirement.

Moneys in the Series 1990 A Bonds Sinking Fund and the Series 1990 B Bonds Sinking Fund shall be used only for purposes of paying principal of and interest, if any, on the Series 1990 A Bonds and the Series 1990 C Bonds on a parity basis and on the Series 1990 B Bonds, respectively, as the same shall become due; provided, however, that, notwithstanding anything herein to the contrary, the holders of the Series 1990 C Bonds shall have no claim to moneys in the Series 1990 A Bonds Sinking Fund, including the Series 1990 A Bonds Reserve Account therein, to the extent such moneys correspond to monthly installments previously paid upon the Series 1990 C Bonds. Moneys in the Series 1990 A Bonds Reserve Account and the Series 1990 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1990 A Bonds and Series 1990 C Bonds on a parity basis and on the Series 1990 B Bonds, respectively, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the Rebate Fund permitted hereunder.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, except as otherwise required by the regulations of the Purchaser as to earnings in the Series 1990 C Reserve Account, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1990 A Bonds Reserve Account and the Series 1990 C Bonds Reserve Account which result in a reduction in the balance of the Series 1990 A Bonds Reserve Account and the Series 1990 C Bonds Reserve Account to below the Series 1990 A Bonds Reserve Requirement and the Minimum Reserve, respectively,

shall be subsequently restored from the first Net Revenues available after all required payments set forth in Subsection 5.03(A)(2) hereof have been made in full for payment of debt service on the Series 1990 A Bonds and the Series 1990 C Bonds.

Except with respect to transfers to the Rebate Fund permitted hereunder, any withdrawals from the Series 1990 B Bonds Reserve Account which result in a reduction in the balance of the Series 1990 B Bonds Reserve Account to below the Series 1990 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments set forth in Subsection 5.03(A)(2) and to the Series 1990 A Bonds Reserve Account, the Series 1990 C Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1990 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund and otherwise 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 or Accounts in an amount or amounts equal to the maximum amount or amounts of principal and interest which will become due in any year for account of the Bonds of such series, including such additional Bonds.

The Issuer shall not be required to make any further payments into the Series 1990 A Bonds Sinking Fund or the Series 1990 B Bonds Sinking Fund, or into the Reserve Accounts therein, or into the Series 1990 C Bonds Reserve Account, when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1990 A Bonds Sinking Fund, the Series 1990 B Bonds Sinking Fund and the Series 1990 C Bonds Reserve Account created hereunder, and all amounts required for said Sinking Funds and Reserve Accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1990 A Bonds Sinking Fund and the Series 1990 B 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 Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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

Except with respect to transfers to the Rebate Fund permitted hereunder, the Series 1990 A Bonds Sinking Fund and the Series 1990 B Bonds Sinking Fund, including the Reserve Accounts therein, and the Series 1990 C Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions and in the priority hereinafter set forth.

Whenever the moneys in the Reserve Accounts of the Series 1990 A Bonds and the Series 1990 C Bonds shall be sufficient to prepay the Series 1990 A Bonds and the Series 1990 C Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay such Bonds at the earliest practical date in accordance with applicable provisions of the Loan Agreement, such Bonds and this Bond Legislation.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Renewal and Replacement Fund and the Rebate Fund as herein provided, and all amounts required for the Renewal and Replacement 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.

The Depository Bank, at the direction of the Issuer, shall keep the moneys in the Renewal and Replacement Fund and the Rebate Fund invested and reinvested in accordance with Section 8.01 hereof.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1990 A Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 B Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 C Bonds Reserve Account and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

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

D. All funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Holders of the Series 1990 A Bonds and the Series 1990 C Bonds shall have a lien thereon, and, thereafter, and subject and subordinate to the liens of the Holders of the Series 1990 A Bonds and the Series 1990 C Bonds, the Holders of the Series 1990 B Bonds shall have a lien thereon. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Renewal and Replacement Fund and the Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of State and municipal funds under the laws of the State.

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

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

I. The Issuer shall, prior to delivery of the Series 1990 C Bonds, provide evidence that there will be at least 920 bona fide users upon the System on completion of the Project, in full compliance with the requirements and conditions of the Purchaser.

J. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank 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 and the Authority.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

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

A. From the proceeds of the Series 1990 A Bonds, there shall first be deposited with the Commission in the Series 1990 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1990 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1990 A Bonds, there shall be deposited with the Commission in the Series 1990 A Bonds Reserve Account, from the proceeds of the Series 1990 B Bonds, there shall be deposited with the Commission in the Series 1990 B Reserve Account, and from the proceeds of the Series 1990 C Bonds, there shall be deposited with the Commission in the Series 1990 C Bonds Reserve Account, the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1990 A Bonds and the Series 1990 C Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining moneys derived from the sale of the Bonds shall be deposited upon receipt with the Depository Bank in the Bond Construction Trust Fund in the manner set forth in the Supplemental Resolution and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the Rebate Fund permitted hereunder, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended are

hereby pledged as additional security for the Series 1990 A Bonds and the Series 1990 C Bonds, and, thereafter, for the Series 1990 B Bonds; provided, however, that such pledge shall only extend to such moneys as have been actually paid to the Bond Construction Trust Fund by the original purchaser of the respective series of Bonds secured thereby. In the event that Notes are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority and the Purchaser. To the extent required by the Purchaser, in addition to the other requirements herein, proceeds of the Series 1990 C Bonds in the Bond Construction Trust Account in excess of the amount insured by FDIC shall be secured at all times by the Depositary Bank in a manner lawful for securing deposits of State and municipal funds under West Virginia law.

F. There shall additionally be established with the Depository Bank such separate accounts and subaccounts within the Bond Construction Trust Fund as are set forth in the Supplemental Resolution so that the Issuer and the Depository Bank may at all times ascertain the source of all funds in the Bond Construction Trust Fund.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, and as to any proceeds of the Series 1990 C Bonds, a representative of the Purchaser, if the Purchaser so requires, 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 Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts and subaccounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer, except as otherwise required by the Purchaser with respect to proceeds of the Series 1990 C Bonds in the Bond Construction Trust Fund.

After completion of the Project, as certified by the Consulting Engineers, and all costs thereof have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund consisting of Series 1990 A Bond and Series 1990 B Bond proceeds to the Series 1990 A Bonds Reserve Account, and when fully funded, to the Series 1990 B Bonds Reserve Account, and shall transfer any moneys remaining in the Bond Construction Trust Fund consisting of Series 1990 C Bond proceeds to the Series 1990 C Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of any or all of the Original Bonds be deposited in any or all of the Reserve Accounts, and when all Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund, except that if otherwise required, any balance in the Bond Construction Trust Fund consisting of proceeds of the Series 1990 C Bonds shall be disposed of in accordance with any requirements of the regulations of the Purchaser. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1990 B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1990 B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes or any line of credit evidenced by such Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of the Series 1990 A Bonds and the Series 1990 C Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System on a parity basis, and payment of the debt service of the Series 1990 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the Holders of the Series 1990 A Bonds and the Series 1990 C Bonds. The Revenues derived

from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Order of the Public Service Commission of West Virginia entered September 20, 1990 (Case No. 89-708-PSD-CN), and such rates are hereby adopted.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1990 A Bonds and the Series 1990 B Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and with respect to the Series 1990 C Bonds, immediately be remitted to the National Finance Office designated in the Series 1990 C Bonds, and, with the written permission of the Authority and the Purchaser, or in the event the Authority and the Purchaser are no longer Bondholders, the Issuer shall direct the Commission and the National Finance Office to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during

the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority and the Purchaser, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and to the National Finance Office and shall be applied only to the purchase or prepayment, as applicable, 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. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to any or all of the Notes issued under the Indenture and/or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the

Indenture (if an Indenture is used) and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from any or all of the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1990 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from any or all of 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 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of any or all of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1990 B Bonds. No Parity Bonds shall be issued which shall be payable out of any or all of the revenues of the System on a parity with the Series 1990 A Bonds and the Series 1990 C Bonds, unless the Series 1990 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually

derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith)

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C 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 1990 A Bonds, the Series 1990 B Bonds or the Series 1990 C Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority and the Purchaser to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart

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

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the 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, the Trustee, the Authority and the Purchaser, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee, the Authority and the Purchaser, or any other original purchaser of the Bonds. Such audit report submitted to the Authority

shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated 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 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee, the Authority, the Purchaser and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and the Purchaser and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent

permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water 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 or, if the waterworks facilities are not owned by the Issuer, the Issuer will use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, or any part thereof, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or any of the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and

Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties, or with the consent of the Authority and the Purchaser, for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the Purchaser, 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 Purchaser, 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, 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 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 Bond Construction Trust Fund is concerned so long as checks thereon require the signature of a representative of the Purchaser.

B. 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. 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.

C. In addition to the foregoing requirements, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, of such types and in such amounts as required by the Purchaser, if such requirements are greater than or in addition to the types and amounts set forth above.

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

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

public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.16. Completion of Project. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition.

Section 7.17. 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 Original 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 Original Bonds during the term thereof is, under the terms of the Original 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 Original 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 Original Bonds during the term thereof is, under the terms of the Original 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 Original 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 Original 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 Original 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 Original 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 Original 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 and the Purchaser) so that the interest on the Original Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority and the Purchaser), the result of which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1990 A Bonds and the Series 1990 C Bonds shall be on a parity with each other and shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1990 B Bonds.

Section 7.19. Use Agreements. Unless otherwise agreed to by the Authority and the Purchaser, the Issuer covenants and agrees that it will, prior to the completion of the Project, enter into agreements with the Town of Gassaway and with the Town of Sutton, each in a form and substance satisfactory to the Purchaser and the Authority, which agreements shall provide for connecting the System to the existing sewerage facilities of the Town of Gassaway and the Town of Sutton and shall provide for the provision of service of the System to the respective users of the sewerage systems of the Town of Gassaway and the Town of Sutton. The Issuer further covenants and agrees that it will obtain all required approvals of such agreements from the Public Service Commission of West Virginia and otherwise.

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 or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account except as otherwise provided herein with respect to the Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, 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 Trustee, if any, 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 Trustee, if any, and 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 on the Original 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 Bonds which would cause any of the Original 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 Original Bonds) so that the interest on the Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority and the Purchaser, 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 except as otherwise required by the Purchaser with respect to investment earnings on gross or other proceeds from the sale of the Series 1990 C Bonds. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder or under the Indenture, if any, and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the

Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority and/or 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 Authority and/or the Purchaser at the expense of the Issuer. To the extent not so performed by the Authority and/or 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 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority and the Purchaser within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the Issuer shall submit to the Authority and 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 Original Bonds subject to rebate. The Issuer shall also furnish to the Authority and/or the Purchaser, at any time, such additional information relating to rebate as may be reasonably requested by the Authority and/or the Purchaser.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

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

B. 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 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 Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Purchaser, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 Notes or Bonds, as the case may be, (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 Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1990 B Bonds shall be subject to those of the Holders of the Series 1990 A Bonds and the Holders of the Series 1990 C Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond or Bond Anticipation Note or a Bond Anticipation Note evidencing a line of credit may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds or Bond Anticipation Notes or Bond Anticipation Note evidencing such line of credit 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 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1990 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1990 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1990 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1990 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1990 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1990 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 1990 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1990 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1990 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior

to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1990 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1990 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1990 B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1990 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1990 B Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of such Series 1990 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1990 B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Series 1990 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of said Series 1990 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such

reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Payment of Series 1990 C Bonds. If the Issuer shall pay, or there shall otherwise be paid, to the respective Holders of all Series 1990 C Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1990 C Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1990 C Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Section 10.04. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture and/or the Supplemental Resolution pertaining to such Notes, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes, the Series 1990 A Bonds, the Series 1990 B Bonds or the Series 1990 C Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Original Bonds and the Notes, if any, 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 Notes, 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, the Indenture, if any, the Bonds or the Notes, if any.

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

Section 11.05. Conflicting Provisions Repealed. All orders and resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

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

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

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

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

(e) The date that the formal application for a Certificate of 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 14th day of November, 1990.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 14th day of November, 1990.

Dated: November 14, 1990

[SEAL]

Secretary, Public Service Board

11/12/90
FCRB.A5
29212/88002

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1990 A, Series 1990 B and Series 1990 C

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1990 A, SERIES 1990 B AND SERIES 1990 C OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO THE SERIES 1990 A BONDS AND SERIES 1990 B BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1990 C BONDS TO FARMERS HOME ADMINISTRATION; 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 and notes resolution, effective November 14, 1990 (the "Bond and Notes Resolution" or "Bond Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE 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 $1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 A, NOT MORE THAN $200,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 B, NOT MORE THAN $1,400,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 C, AND NOT MORE THAN $4,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS

AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH SERIES 1990 A AND SERIES 1990 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond and Notes Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $2,900,000, to be issued in three series, the Series 1990 A Bonds to be in an aggregate principal amount of not more than $1,300,000 (the "Series 1990 A Bonds"), the Series 1990 B Bonds to be in an aggregate principal amount of not more than $200,000 (the "Series 1990 B Bonds") and the Series 1990 C Bonds to be in an aggregate principal amount of not more than $1,400,000 (the "Series 1990 C Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1990 A Bonds dated November 14, 1990, and a supplemental loan agreement relating to the Series 1990 B Bonds, also dated November 14, 1990 (sometimes collectively referred to herein as the "Loan Agreement"), both by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A, of the West Virginia Code, 1931, as amended (the "Act"); and in the Bond and Notes Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Series 1990 A Bonds and the Series 1990 B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement, and the Series 1990 C Bonds are proposed to be purchased by the United States of America, Farmers Home Administration (the "Purchaser"), pursuant to a Letter of Conditions, as amended; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by

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

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

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

(A) The Sewer Revenue Bonds, Series 1990 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,147,938. The Series 1990 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2029, shall bear interest at the rate of 8.10% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable April 1, 1991, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1990 A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1990 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $51,842. The Series 1990 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2029, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1990 B Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

(C) The Sewer Revenue Bonds, Series 1990 C, of the Issuer, originally represented by a single Bond,

numbered CR-1 in the principal amount of $1,118,000. The Series 1990 C Bonds shall be dated the date of delivery thereof, shall mature November 14, 2030, shall bear interest on advances of the principal thereof at the rate of 5% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 1990 C Bonds and continuing on the corresponding day of each month and thereafter, principal and interest are payable in monthly installments of $5,490 on the corresponding day of each month, except that the final installment shall be paid at the end of forty years from the date of the Series 1990 C Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 1990 C Bonds, all such payments to be made at the National Finance Office of Farmers Home Administration, United States Department of Agriculture, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 1990 C Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

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

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

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Series 1990 A Bonds and Series 1990 B Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 1990 A Bonds and Series 1990 B Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1990 A Bonds and Series 1990 B Bonds.

Section 6. The Issuer does hereby appoint One Valley Bank, National Association, Charleston, West Virginia, as Depository Bank under the Bond and Notes Resolution.

Section 7. Series 1990 A Bonds proceeds in the amount of $139,400 shall be deposited in the Series 1990 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1990 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1990 A Bonds Reserve Account, Series 1990 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 1990 B Bonds Reserve Account and Series 1990 C Bonds proceeds in the amount of $-0- shall be deposited in the Series 1990 C Bonds Reserve Account.

Section 9. The remaining proceeds of the Bonds shall be deposited in or credited to the Bond Construction Trust Fund for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds and repayment of any borrowings previously incurred for the Project, if any.

Section 10. The Issuer hereby authorizes the establishment of, and there are hereby created with the Depository Bank, the following special accounts within the Bond Construction Trust Fund established under Section 5.01 of the Bond and Notes Resolution:

(1) Account One

(2) Account Two

All proceeds received from the sale of the Series 1990 A Bonds and the Series 1990 B Bonds to the Authority shall be deposited in Account One. All proceeds received from the sale of the Series 1990 C Bonds to the Purchaser shall be deposited in Account Two. Proceeds deposited into Account One shall be kept separate and apart from proceeds deposited into Account Two, and vice versa.

Section 11. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, if any,

including, but not limited to, all borrowings from West Virginia Water Development Authority.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond and Notes Resolution approved and provided for, to the end that the Series 1990 A Bonds and the Series 1990 B Bonds may be delivered on or about November 14, 1990, to the Authority pursuant to the Loan Agreement and to the end that the Series 1990 C Bonds may be delivered on or about November 14, 1990, to the Purchaser pursuant to the Letter of Conditions and all amendments thereto as soon as the Purchaser will accept such delivery.

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 Bond and Notes Resolution held by the Depository Bank, subject to any limitations of the Purchaser with respect to the proceeds from the sale of the Series 1990 C Bonds, in repurchase agreements with maturities not exceeding thirty days, or, if unavailable, such moneys not invested in repurchase agreements shall be invested in time accounts secured by a pledge of Government Obligations with the Depository Bank, 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 and/or time accounts, until further directed by the Issuer. Moneys in the Sinking Funds for the Series 1990 A Bonds and the Series 1990 B Bonds shall be invested by the Municipal Bond Commission in the West Virginia restricted consolidated fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or 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 to be promulgated thereunder.

Section 16. The Issuer elects to have Section 148(f)(4)(B)(iv)(V) of the Code apply to the Bonds and agrees to pay the penalty prescribed under such Section 148(f)(4)(B)(iv)(V) of the Code from lawfully available sources and the Issuer does not elect to exclude earnings on any reserve fund or account from the requirements of, and definition of net proceeds under, Section 148(f)(4)(B)(iv)(II) of the Code.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 14th day of November, 1990.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Dale L. Lewis

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 the 14th day of November, 1990.

Dated: November 14, 1990.

[SEAL]

Johnnie R Tinney

Secretary, Public Service Board

11/13/90
FCRB.D4
29212/88002

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1990 A, SERIES 1990 B AND SERIES 1990 C

RESOLUTION

RESOLUTION DESIGNATING A CO-DEPOSITORY BANK IN CONNECTION WITH THE FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1990 A, SERIES 1990 B AND SERIES 1990 C; AND MAKING OTHER PROVISIONS RELATING THERETO

WHEREAS, the public service board (the "Governing Body") of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (the "Issuer"), has duly and officially adopted a bond and notes resolution effective November 14, 1990 (the "Bond and Notes Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE 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 $1,300,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 A, NOT MORE THAN $200,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 B, NOT MORE THAN $1,400,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 C, AND NOT MORE THAN $4,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH SERIES 1990 A AND SERIES 1990 B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Governing Body of the Issuer has duly and officially adopted a supplemental resolution effective November 14, 1990 (the "Supplemental Resolution"), entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1990 A, SERIES 1990 B AND SERIES 1990 C OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO THE SERIES 1990 A BONDS AND SERIES 1990 B BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1990 C BONDS TO FARMERS HOME ADMINISTRATION; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS

WHEREAS, the Bond and Notes Resolution and the Supplemental Resolution (collectively, the "Bond Legislation") provide for the appointment of a Depository Bank for the purposes set forth in the Bond Legislation;

WHEREAS, pursuant to the Bond Legislation, the Issuer appointed One Valley Bank, National Association, as Depository Bank (the "Initial Depository Bank");

WHEREAS, to facilitate the expenditure of proceeds of the Original Bonds on Costs of the Project in accordance with the requirements of the United States Department of Agriculture, Farmers Home Administration (the "Purchaser"), the Issuer desires to appoint a Co-Depository Bank for the purposes set forth herein;

WHEREAS, both the Purchaser and the West Virginia Water Development Authority (the "Authority"), being the current holders of

all of the Bonds outstanding, have consented to such appointment and the other matters set forth herein;

WHEREAS, the Governing Body deems it essential and desirable that this resolution (the "Resolution") be adopted and that a Co-Depository Bank be appointed in the manner and for the purposes stated herein and that other matters relating thereto 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 Bond Legislation and the foregoing, this Resolution is adopted and the Issuer does hereby appoint Home National Bank, Sutton, West Virginia (the "Co-Depository Bank"), a member of FDIC, as a Co-Depository Bank for the purposes set forth herein.

Section 2. There is hereby created with the Co-Depository Bank a special account designated as the "Flatwoods-Canoe Run Public Service District Project Construction Account" (herein called the "Project Construction Account").

Section 3. The Initial Depository Bank is hereby authorized to disburse amounts in the Bond Construction Trust Fund to the Co-Depository Bank, by check or wire transfer, for deposit in the Project Construction Account, upon receipt of a certificate or certificates as provided in Section 6.02 of the Bond and Notes Resolution, executed as set forth therein and otherwise complying with the terms thereof. Upon any such disbursement, the Initial Depository Bank shall have no further duty or responsibility for the application of any such amount and shall not be required to monitor the application of any such disbursement.

Section 4. The disbursements from the Bond Construction Trust Fund by the Initial Depository Bank made after the date of adoption of this Resolution and as provided in Section 3 of this Resolution and the proceeds of sale of the Series 1990 C Bonds received after the date of the adoption of this Resolution shall be deposited in the Project Construction Account on receipt by the Issuer or the Co-Depository Bank, as the case may be. Moneys in the Project Construction Account shall be expended by the Issuer solely and immediately for the payment of Costs of the Project upon vouchers and other documentation approved by Purchaser; provided that, the Co-Depository Bank shall not be a trustee as to funds in the Project Construction Account but shall hold such funds in a fiduciary capacity

and provided, further, that the disbursements from the Bond Construction Trust Fund shall only be applied to the payment of the Costs of the Project for which such amounts were requisitioned.

Except as otherwise required by the Purchaser with respect to proceeds of the Series 1990 C Bonds, pending application as provided in this Section 4, moneys 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, and all such investments and income therefrom shall be carried to the credit of 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 Co-Depository Bank in the same manner that the Bond Construction Trust Fund is secured or required to be secured under the Bond and Notes Resolution.

Section 5. Except to the extent expressly provided otherwise herein, the Bond Legislation shall continue and remain in full force and effect as adopted.

Section 6. This Resolution shall be effective immediately following adoption hereof.

Adopted this 19th day of December, 1990.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Chairman of Public Service Board

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 this 19th day of December, 1990.

[SEAL]

Secretary, Public Service Board

12/14/90
FCRB.HH3
29212/88002

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1990 A

No. AR-1 $1,147,938

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 ONE MILLION ONE HUNDRED FORTY-SEVEN THOUSAND NINE HUNDRED THIRTY-EIGHT DOLLARS ($1,147,938), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1991. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar") on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated November 14, 1990.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewerage facilities of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; and (iii) to pay certain costs of issuance hereof and related costs. The Project and any additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on November 14, 1990, and a Supplemental Resolution duly adopted by the Issuer on November 14, 1990 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is issued concurrently with the Sewer Revenue Bonds, Series 1990 B, of the Issuer (the "Series 1990 B Bonds"), issued in the aggregate principal amount of $51,842, which Series 1990 B Bonds are junior and subordinate with respect to liens, pledge and source of and security for payment to the Bonds.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 C BONDS"), EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE BOND LEGISLATION.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1990 A Bonds Reserve Account"), unexpended proceeds of the Bonds and the Series 1990 B Bonds and the other sources provided in the Bond Legislation. 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 1990 A Bonds Reserve Account, unexpended proceeds of the Bonds

and the Series 1990 B Bonds and the other sources provided in the Bond Legislation. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1990 B Bonds, the Series 1990 C Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, the Series 1990 B Bonds or the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1990 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1990 B Bonds, the Series 1990 C Bonds and any other obligations outstanding prior to or on a parity with the Bonds, the Series 1990 B Bonds or the Series 1990 C 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, 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 November 14, 1990.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1990 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

Flatwoods-Canoe Run Public Service District
Debt Service Schedule
Analysis of Borrowing from Series 1990 A Pool
38 Principal Payments
Closing Date: 14-Nov-90

Date	Coupon	Principal	Interest	Debt Service 8.10% Bonds
01-Oct-90			0.00	0.00
01-Oct-91	0.00%	0.00	81,876.68	81,876.68
01-Oct-92	8.10%	5,064.00	92,982.98	98,066.98
01-Oct-93	8.10%	5,496.00	92,571.17	98,067.17
01-Oct-94	8.10%	5,940.00	92,126.00	98,066.00
01-Oct-95	8.10%	6,421.00	91,644.86	98,065.86
01-Oct-96	8.10%	6,941.00	91,124.76	98,065.76
01-Oct-97	8.10%	7,504.00	90,562.54	98,066.54
01-Oct-98	8.10%	8,111.00	89,954.71	98,065.71
01-Oct-99	8.10%	8,768.00	89,297.72	98,065.72
01-Oct-2000	8.10%	9,479.00	88,587.51	98,066.51
01-Oct-2001	8.10%	10,246.00	87,819.71	98,065.71
01-Oct-2002	8.10%	11,076.00	86,989.79	98,065.79
01-Oct-2003	8.10%	11,974.00	86,092.63	98,066.63
01-Oct-2004	8.10%	12,944.00	85,122.74	98,066.74
01-Oct-2005	8.10%	13,992.00	84,074.27	98,066.27
01-Oct-2006	8.10%	15,125.00	82,940.92	98,065.92
01-Oct-2007	8.10%	16,350.00	81,715.80	98,065.80
01-Oct-2008	8.10%	17,675.00	80,391.45	98,066.45
01-Oct-2009	8.10%	19,106.00	78,959.77	98,065.77
01-Oct-2010	8.10%	20,654.00	77,412.19	98,066.19
01-Oct-2011	8.10%	22,327.00	75,739.21	98,066.21
01-Oct-2012	8.10%	24,135.00	73,930.73	98,065.73
01-Oct-2013	8.10%	26,091.00	71,975.71	98,066.71
01-Oct-2014	8.10%	28,204.00	69,862.34	98,066.34
01-Oct-2015	8.10%	30,488.00	67,577.81	98,065.81
01-Oct-2016	8.10%	32,958.00	65,108.29	98,066.29
01-Oct-2017	8.10%	35,628.00	62,438.69	98,066.69
01-Oct-2018	8.10%	38,513.00	59,552.82	98,065.82
01-Oct-2019	8.10%	41,633.00	56,433.27	98,066.27
01-Oct-2020	8.10%	45,005.00	53,060.99	98,065.99
01-Oct-2021	8.10%	48,651.00	49,415.59	98,066.59
01-Oct-2022	8.10%	52,591.00	45,474.86	98,065.86
01-Oct-2023	8.10%	56,851.00	41,214.99	98,065.99
01-Oct-2024	8.10%	61,456.00	36,610.08	98,066.08
01-Oct-2025	8.10%	66,434.00	31,632.12	98,066.12
01-Oct-2026	8.10%	71,816.00	26,250.97	98,066.97
01-Oct-2027	8.10%	77,632.00	20,433.95	98,065.95
01-Oct-2028	8.10%	83,921.00	14,145.76	98,066.76
01-Oct-2029	8.10%	90,716.00	7,348.16	98,066.16
		1,147,938.00	2,660,454.52	3,808,392.52

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:

_____

11/12/90
SPEC.A2
29212/88002

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1990 B

No. BR-1 $51,842

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 FIFTY-ONE THOUSAND EIGHT HUNDRED FORTY-TWO DOLLARS ($51,842), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated November 14, 1990.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The Project and any additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on November 14, 1990, and a Supplemental Resolution duly adopted by the Issuer on November 14, 1990 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions

thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds of this series (the "Bonds") under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT TO CERTAIN OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER AS FOLLOWS:

(i) SEWER REVENUE BONDS, SERIES 1990 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 A BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1990 C, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1990 C 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1990 A Bonds and the Series 1990 C Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1990 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1990 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1990 A Bonds, the Series 1990 C Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1990 A Bonds, the Series 1990 C Bonds or the Bonds, provided, however, that so long as there exists in the

Series 1990 B Bonds Reserve Account and the reserve accounts established for the Series 1990 A Bonds and the Series 1990 C Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations is funded at least at 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 One Valley Bank, National Association, 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 Bond Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1990 A Bonds and the Series 1990 C Bonds to the extent provided in the Bond Legislation.

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 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 November 14, 1990.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1990 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: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL
DEBT SERVICE

Flatwoods-Canoe Run Public Service Distr
Debt Service Schedule
Analysis of Borrowing from Series 1990 A
38 Principal Payments
Closing Date: 14-Nov-90

Date	Interest Free Loan
01-Oct-90	
01-Oct-91	0.00
01-Oct-92	1,364.38
01-Oct-93	1,364.26
01-Oct-94	1,364.26
01-Oct-95	1,364.26
01-Oct-96	1,364.26
01-Oct-97	1,364.26
01-Oct-98	1,364.26
01-Oct-99	1,364.26
01-Oct-2000	1,364.26
01-Oct-2001	1,364.26
01-Oct-2002	1,364.26
01-Oct-2003	1,364.26
01-Oct-2004	1,364.26
01-Oct-2005	1,364.26
01-Oct-2006	1,364.26
01-Oct-2007	1,364.26
01-Oct-2008	1,364.26
01-Oct-2009	1,364.26
01-Oct-2010	1,364.26
01-Oct-2011	1,364.26
01-Oct-2012	1,364.26
01-Oct-2013	1,364.26
01-Oct-2014	1,364.26
01-Oct-2015	1,364.26
01-Oct-2016	1,364.26
01-Oct-2017	1,364.26
01-Oct-2018	1,364.26
01-Oct-2019	1,364.26
01-Oct-2020	1,364.26
01-Oct-2021	1,364.26
01-Oct-2022	1,364.26
01-Oct-2023	1,364.26
01-Oct-2024	1,364.26
01-Oct-2025	1,364.26
01-Oct-2026	1,364.26
01-Oct-2027	1,364.26
01-Oct-2028	1,364.26
01-Oct-2029	1,364.26
	51,842.00

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:

_____

11/11/90
SPEC.B1
29212/88002

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1990 C

No. CR-1 $1,118,000

FOR VALUE RECEIVED, the FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, Farmers Home Administration (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 ONE MILLION ONE HUNDRED EIGHTEEN THOUSAND DOLLARS ($1,118,000), plus interest on the unpaid principal balance at the rate of 5% 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 $5,490, 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 Farmers Home Administration 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 is issued to finance a portion of the costs of acquisition and construction of new sewerage facilities of the Issuer, and 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 construction and acquisition of additions, extensions and improvements to the sewerage 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, nor shall the

Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

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 said 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 and a resolution supplemental thereto duly adopted (collectively, 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 Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON PARITY WITH THE BORROWER'S SEWER REVENUE BONDS, SERIES 1990 A, AND SENIOR AND PRIOR TO THE BORROWER'S SEWER REVENUE BONDS, SERIES 1990 B, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, BOTH ISSUED CONCURRENTLY HEREWITH AND DESCRIBED IN THE RESOLUTION, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE 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, and has caused this Bond to be dated November 14, 1990.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____

Chairman

Post Office Box 677
Sutton, West Virginia 26601

ATTEST:

_____

Secretary

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

TOTAL $_____

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:

_____

11/11/90
SPEC.C1
29212/88002

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS,
SERIES 1991A AND SERIES 1991B
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION
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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE PUBLIC SEWERAGE SYSTEM OR PUBLIC SEWERAGE FACILITIES, NOW EXISTING OR PRESENTLY BEING ACQUIRED AND CONSTRUCTED, 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 $330,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1991A, ON A PARITY WITH THE $1,147,938 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 A, AND $1,118,000 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 C, OF THE DISTRICT, NOT MORE THAN $15,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1991B, ON A PARITY WITH THE $51,842 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 B, OF THE DISTRICT, AND NOT MORE THAN $400,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH SERIES 1991A AND SERIES 1991B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 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. Flatwoods-Canoe Run Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Braxton County of said State.

B. The Issuer is presently acquiring and constructing a public sewerage system or public sewerage facilities, or has acquired and constructed components thereof, initially consisting of a new 0.3 MGD secondary waste treatment plant, collector lines, sewer lines, 7 lift stations, man holes, access roads, force main and house connections for a complete sanitary sewer system, together with all appurtenant facilities; however, in order to, among other things, allow the Issuer to further expand its public sewerage system or public sewerage facilities as initially contemplated at a substantially reduced cost, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the public sewerage system or public sewerage facilities of the Issuer, now existing or presently being acquired and constructed, consisting of improvements and extensions necessary for the construction and operation of a new 0.52 MGD secondary waste treatment plant, collector lines, sewer lines, 6 lift stations, man holes, access roads, force main and house connections for a complete sanitary sewer system, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the now existing or presently being acquired and constructed public sewerage system or public sewerage facilities, the Project and any further additions or improvements thereto or extensions thereof is herein called the "System") at an estimated cost of $1,178,690, 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 estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein and in the Prior Resolution, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $345,000 in two series, being the Series 1991A Bonds in the aggregate principal amount of not more than $330,000 and the Series 1991B Bonds in the aggregate principal amount of not more than $15,000 (collectively, the "Original Bonds"), and (at the option of the Issuer) to issue its sewerage system bond anticipation notes prior to issuance of the Original Bonds or contemporaneously therewith, or as soon as practicable thereafter, to issue its sewerage system grant anticipation notes, and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than $400,000 to temporarily finance costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and/or the Notes 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, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the Notes 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 Original Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by supplemental resolution.

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

Designation	Lien Position
Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds")	First Lien
Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds")	First Lien
Sewer Revenue Bonds, Series 1991A (the "Series 1991A Bonds")	First Lien
Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds")	Second Lien
Sewer Revenue Bonds, Series 1991B (the "Series 1991B Bonds")	Second Lien

The Series 1990 A Bonds, the Series 1990 C Bonds and Series 1991A Bonds are hereinafter collectively called the "First Lien Bonds," and the Series 1990 B Bonds and Series 1991B Bonds are hereinafter collectively called the "Second Lien Bonds." The Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1991A Bonds shall be issued on parity with the Series 1990 A Bonds and the Series 1990 C Bonds, except as otherwise

provided in the Prior Resolution, and senior and prior to the Series 1991B Bonds and the Series 1990 B Bonds with respect to liens, pledge and source of and security for payment, and in all other respects. The Series 1991B Bonds shall be issued on parity with the Series 1990 B Bonds, and junior and subordinate to the Series 1990 A Bonds, the Series 1990 C Bonds and the Series 1991A Bonds with respect to liens, pledge and source of and security for payment, and in all other respects. The Grant Anticipation Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such Grant Anticipation Notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Grant Anticipation Notes. The Bond Anticipation Notes, if issued, will be payable from the proceeds of the Bonds (or individual series thereof), certain proceeds of such Bond Anticipation Notes and the Net Revenues, if necessary and if available, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Bond Anticipation Notes.

Other than the Prior Bonds, there are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Original Bonds as to liens, pledge and/or source of and security for payment. The Issuer has outstanding its $152,000 Water System Revenue Bonds, dated January 1, 1971, which are not payable from or entitled to any lien on or pledge of any of the revenues of the System or a statutory mortgage lien thereon.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and the issuance of the Bonds and the Notes, 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 Bonds or any of the Notes or such final order will not be subject to appeal or rehearing.

I. Prior to the issuance of the Original Bonds, the Issuer will have received the written consent of the Authority, the present holder of the entire outstanding aggregate principal amounts of the Series 1990 A Bonds and the Series 1990 B Bonds, and the Purchaser, hereinafter defined, the present holder of the entire outstanding aggregate principal amounts of the Series 1990 C Bonds, to issuance of

the Original Bonds with lien positions with respect to the Prior Bonds as set forth in paragraph G of this Section 1.02.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, respectively, 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 and between any one Note of a series and any other Note of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

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

"Bond Year" means each 1-year period (or shorter period from the date of issue of the Original Bonds) that ends at the close of business on October 1 of each calendar year, unless otherwise required under the Code.

"Bonds" means the Original Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder, and includes the Prior Bonds, whether such Prior Bonds are specifically referred to or not, unless the context otherwise requires.

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

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

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

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., 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 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

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

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

"EPA Grant" means the grant from the EPA pursuant to the commitment therefor.

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

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

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

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

"Grant Agreement" means a written commitment for the payment of the EPA Grant or any of the Other Grants, 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; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

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

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

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

"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.

"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," "Borrower" or "District" means 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.

"Loan Agreement" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified and confirmed by the Supplemental Resolution.

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

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

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

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

"Notes" means, collectively, the not more than $400,000 in aggregate principal amount of sewerage system bond anticipation notes,

grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution pertaining to such Notes and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $330,000 in aggregate principal amount of Series 1991A Bonds and the not more than $15,000 in aggregate principal amount of Series 1991B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means the Community Development Grant from the Governor's Office of Community and Industrial Development and the contributions from private and public entities, together with any other grant other than the EPA Grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated (where applicable) and delivered, or all Notes theretofore and thereupon being authenticated and delivered, except (i) any Bond or Note cancelled by the Bond Registrar or Notes Registrar, at or prior to said date; (ii) any Bond or Note 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 or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Note deemed to have been paid as provided in Article X hereof or as provided in the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes 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 bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means, collectively, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds.

"Prior Resolution" means, collectively, the resolution of the Issuer adopted November 14, 1990, authorizing the Prior Bonds, as supplemented by a Supplemental Resolution of the Issuer also adopted November 14, 1990, and any other resolution supplemental thereto and adopted prior to the date of adoption of this Resolution.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state 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.

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

"Project" means the acquisition and construction of improvements and extensions to the public sewerage system or public sewerage facilities, now existing or presently being acquired and constructed, of the Issuer, such improvements and extensions consisting generally of improvements and extensions necessary for the construction and operation of a new 0.52 MGD secondary waste treatment plant, collector lines, sewer lines, 6 lift stations, man holes, access roads, force main and house connections for a complete sanitary sewer system, together with all appurtenant facilities.

"Purchaser" or "Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"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 or similar banking arrangements, fully secured by investments of the types described in paragraphs (a) through (e) above or fully insured by the FDIC, with member banks of the Federal Reserve system or 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, including, without limitation, authorized pools of investments operated by such State Board of Investments; 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," "Noteholder," "Bondholder," "Holder" or any similar term means, whenever used herein with respect to an outstanding Bond, Note, Bonds or Notes, the person in whose name such Bond or Note is registered.

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar, or both.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by (or continued under) Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund established by (or continued under) Section 5.01 hereof.

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

"Series 1990 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938.

"Series 1990 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842.

"Series 1990 C Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000.

"Series 1991A Bonds" or "Series A Bonds" means the not more than $330,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1991A, of the Issuer.

"Series 1991A Bonds Reserve Account" means the Series 1991A Bonds Reserve Account established in the Series 1991A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1991A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1991A Bonds in the then current or any succeeding year.

"Series 1991A Bonds Sinking Fund" means the Series 1991A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1991B Bonds" or "Series B Bonds" means the not more than $15,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1991B, of the Issuer.

"Series 1991B Bonds Reserve Account" means the Series 1991B Bonds Reserve Account established in the Series 1991B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1991B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1991B Bonds in the then current or any succeeding year.

"Series 1991B Bonds Sinking Fund" means the Series 1991B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"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 (including, without limitation, the Prior Bonds) or any other obligations of the Issuer, including, without

limitation, the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, now existing or presently being acquired and constructed, in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto now being or hereafter constructed or acquired for said system from any sources whatsoever.

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter 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 $1,178,690, 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 Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1991A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Original Bonds and related costs, or any one or more of such purposes, as determined by the Supplemental Resolution, there shall be and are authorized to be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $345,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1991A," in the aggregate principal amount of not more than $330,000, and "Sewer Revenue Bonds, Series 1991B," in the aggregate principal amount of not more than $15,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Grant Anticipation Notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond 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 Original Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Original Bonds shall be payable as to principal at the office of the Paying Agent, and the Bonds shall be payable as to principal 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 Original Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution or herein, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series

shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Authority nor the Purchaser shall be obligated to pay any expenses of such exchange.

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

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

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

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

Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar for the Bonds other than the Series 1990 C Bonds, shall keep and maintain books for the registration and transfer of the respective series of Bonds.

Subject to the provisions of the Prior Resolution with respect to the Series 1990 C Bonds, the registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate (when applicable) and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the

Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions Including with Respect to the Prior Bonds. The payment of the debt service of all the Series 1991A Bonds shall be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, senior and prior to the lien on the Net Revenues in favor of the holders of the Series 1990 B Bonds and the Series 1991B Bonds, and on a parity with the lien on the Net Revenues in favor of the holders of Series 1990 A Bonds and the Series 1990 C Bonds. The payment of the debt service of all the Series 1991B Bonds shall also be secured forthwith equally and ratably with each other by a 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 Series 1990 B Bonds, but junior and subordinate to the lien on such Net Revenues in favor of the holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Sinking Funds and Reserve Accounts therein and the Renewal and Replacement Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[Form of Series 1991A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1991A

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 ($_____), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19__. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 19__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the public sewerage system or public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] to pay certain costs of issuance hereof and related costs. The public sewerage system or the public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond, the Project and any further additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 19_____, and a Supplemental Resolution duly adopted by the Issuer on _____, 19__ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE RESOLUTIONS AUTHORIZING THE ISSUANCE THEREOF, WITH THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS").

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN

THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991B, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1991B 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 the Net Revenues in favor of the holders of the Series 1990 A Bonds and the Series 1990 C Bonds, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1991A Bonds Reserve Account"), unexpended proceeds of the Bonds and the Series 1991B Bonds and the other sources provided in the Bond Legislation. 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 1991A Bonds Reserve Account, unexpended proceeds of the Bonds and the Series 1991B Bonds and the other sources provided in the Bond Legislation. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1991B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1991B Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1991A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1991B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1991B Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into

certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with of the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part

of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, 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 _____, 19__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1991A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[Form of Series 1991B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1991B

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 ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 19__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the public sewerage system or public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond (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 public sewerage system or the public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond, the Project and any further additions, extensions or improvements thereto is herein called the

"System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on _____, 19____, and a Supplemental Resolution duly adopted by the Issuer on _____, 19____ (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1991A BONDS");

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS"); AND

(iii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 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 the Net Revenues in favor of the holders of the Series 1990 B Bonds, after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1991B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such

Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1991B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1991A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1991A Bonds or the Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1991B Bonds Reserve Account and the reserve account established for the Series 1991A Bonds, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1991A Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, is funded at least at 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 One Valley Bank, National Association, 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 as set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1991A Bonds.

In accordance with the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 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 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 _____, 19__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1991B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer attest the same, and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.11. "Amended Schedule A" Filing; Tender of Series 1991B Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1991B Bonds to the Issuer for payment in an amount equal to such excess to the extent such excess is lawfully available therefor. Notwithstanding the foregoing, if the Issuer has Notes outstanding upon completion of acquisition and construction of the Project, it will advise the Authority of such fact and submit a second schedule to the Authority upon payment of such Notes, and the Authority will not tender its Series 1991B Bonds for payment until the outstanding Notes have been paid.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $400,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or the Net Revenues (if issued in the form of Bond Anticipation Notes) or the Grant Receipts, the Surplus Revenues and letter of credit proceeds (if issued in the form of Grant Anticipation Notes) and from other sources described in the Indenture and/or a supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree

to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $400,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

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 and established (or continued if previously created and established by the Prior Resolution) 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 (created and established by the Prior Resolution);

(2) Renewal and Replacement Fund (created and established by the Prior Resolution);

(3) Bond Construction Trust Fund;

(4) Rebate Fund (created and established by the Prior Resolution); and

(5) 1991 Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously created and established by the Prior Resolution) with the Commission:

(1) The Sinking Funds established for the Prior Bonds, including the reserve accounts established therein, and the Series 1990 C Bonds Reserve Account established for the Series 1990 C Bonds (established by the Prior Resolution and therein called the "Series 1990 A Bonds Sinking Fund," the "Series 1990 B Bonds Sinking Fund," the "Series 1990 A Bonds Reserve Account," the "Series 1990 B Bonds Reserve Account" and the "Series 1990 C Bonds Reserve Account," respectively, and herein collectively called the "Prior Bonds Sinking Fund").

(2) Series 1991A Bonds Sinking Fund;

(a) Within the Series 1991A Bonds Sinking Fund, the Series 1991A Bonds Reserve Account; and

(3) Series 1991B Bonds Sinking Fund;

(a) Within the Series 1991B Bonds Sinking Fund, the Series 1991B 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 in the Prior 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 and in the Prior Resolution provided.

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, (i) each month, on or before the due date of payment of each installment on the Series 1990 C Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1990 C Bonds (or such other place as may be subsequently provided pursuant to the Series 1990 C Bonds), the amount required by the Prior Resolution to pay the interest on the Series 1990 C Bonds, and to amortize the principal of the Series 1990 C Bonds over the life of such Bond issue, and on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolution to be deposited in the Series 1990 A Bonds Sinking Fund for payment of the principal of and interest on the Series 1990 A Bonds, and (ii) simultaneously with the transfers set forth in Subsection 5.03A(2)(i), on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1991A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1991A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1991A 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 1991A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and (iii), simultaneously with the transfers set forth in Subsections 5.03A(2)(i) and (ii), on the first day of each month, commencing 13 months prior to the first date

of payment of principal on the Series 1991A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1991A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1991A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1991A Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, (i) on each date that payment is made as set forth in Subsection 5.03A(2)(i) above, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolution to be deposited in the Series 1990 A Bonds Reserve Account and the Series 1990 C Bonds Reserve Account at the times provided in the Prior Resolution, and (ii), simultaneously with the transfer set forth in Subsection 5.03A(3)(i), on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1991A Bonds, if not fully funded upon issuance of the Series 1991A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1991A Bonds Reserve Account, an amount equal to 1/120 of the Series 1991A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1991A 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 1991A Bonds Reserve Requirement.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, and as previously set forth in the Prior Resolution and not in addition thereto, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement

Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1991A Bonds Reserve Account, the Series 1990 A Bonds Reserve Account or the Series 1990 C Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby or by the Prior Resolution] shall be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis, and, thereafter, any deficiencies in the Series 1991B Bonds Reserve Account or the Series 1990 B Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby or by the Prior Resolution] shall next be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolution to be deposited in the Series 1990 B Bonds Sinking Fund for payment of principal of the Series 1990 B Bonds, and, simultaneously, commencing 13 months prior to the first date of payment of principal on the Series 1991B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1991B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1991B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1991B Bonds Sinking Fund and the next annual principal payment date is less than 13 months then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund to the Commission the amounts required by the Prior Resolution to be deposited in the Series 1990 B Bonds Reserve Account, and, simultaneously, commencing 13 months prior to the first date of payment of principal of the Series 1991B Bonds, if not fully funded upon issuance of the Series 1991B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1991B Bonds Reserve

Account, an amount equal to 1/120 of the Series 1991B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1991B 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 1991B Bonds Reserve Requirement.

Moneys in the Series 1991A Bonds Sinking Fund and the Series 1991B Bonds Sinking Fund shall be used only for purposes of paying principal of and interest, if any, on the respective Series 1991A Bonds or Series 1991B Bonds as the same shall become due. Moneys in the Series 1991A Bonds Reserve Account and the Series 1991B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective Series 1991A Bonds or Series 1991B Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the 1991 Rebate Fund permitted hereunder.

Except to the extent transferred to the 1991 Rebate Fund at the request of the Issuer, all investment earnings on moneys in the several Sinking Funds and Reserve Accounts for the Original Bonds shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the 1991 Rebate Fund permitted hereunder, any withdrawals from the Series 1991A Bonds Reserve Account which result in a reduction in the balance of the Series 1991A Bonds Reserve Account to below the Series 1991A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full to the 1990 A Bonds Sinking Fund or otherwise with respect to the Series 1990 C Bonds for payment of debt service on the Series 1990 A Bonds and the Series 1990 C Bonds and to the Series 1991A Bonds Sinking Fund for payment of debt service on the Series 1991A Bonds.

Except with respect to transfers to the 1991 Rebate Fund permitted hereunder, any withdrawals from the

Series 1991B Bonds Reserve Account which result in a reduction in the balance of the Series 1991B Bonds Reserve Account to below the Series 1991B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the 1990 A Bonds Sinking Fund or otherwise with respect to the Series 1990 C Bonds, the Series 1991A Bonds Reserve Account, the Series 1991A Bonds Sinking Fund, the Series 1990 A Bonds Reserve Account, the Series 1990 C Bonds Reserve Account, the Renewal and Replacement Fund, the Series 1991B Bonds Sinking Fund and the Series 1990 B Bonds Sinking Fund have been made in full.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund and otherwise 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 or Accounts in an amount or amounts equal to the maximum amount or amounts of principal and interest which will become due in any year for account of the Bonds of such series, including such additional Bonds.

The Issuer shall not be required to make any further payments into the Series 1991A Bonds Sinking Fund or the Series 1991B Bonds Sinking Fund, or into the Reserve Accounts therein, when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata, with respect to the Series 1990 A Bonds, the Series 1990 C Bonds and Series 1991A Bonds in accordance with the respective principal amounts then Outstanding, and thereafter shall be made on a parity and pro rata with respect to the Series 1990 B and Series 1991B Bonds in accordance with the respective principal amounts then Outstanding, if any such principal or interest payment or Reserve Account payment is to be made in less than the full amount then called for herein or in the Prior Resolution.

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

The payments into the Series 1991A Bonds Sinking Fund and the Series 1991B 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 Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1991A Bonds Reserve Account and the Series 1991B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the 1991 Rebate Fund permitted hereunder, the Series 1991A Bonds Sinking Fund and the Series 1991B Bonds Sinking Fund, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions and in the priority hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1991A Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 A Bonds Sinking Fund (including the Reserve Account therein), the Series 1991B Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 B Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 C Bonds Reserve Account and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

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

D. All funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein and in the Prior Resolution, and until so used, the Holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds shall have a lien thereon, to the extent provided herein and in the Prior Resolution, and, thereafter, and subject and subordinate to the liens of the holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, the holders of the Series 1991B Bonds and the Series 1990 B Bonds shall have a lien thereon to the extent provided herein and in the Prior Resolution. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Renewal and Replacement Fund and the 1991 Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of State and municipal funds under the laws of the State.

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

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

I. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank 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 Authority.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

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

A. From the proceeds of the Series 1991A Bonds, there shall first be deposited with the Commission in the Series 1991A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1991A Bonds for the period commencing on the date of issuance of such Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1991A Bonds, there shall be deposited with the Commission in the Series 1991 A Bonds Reserve Account, and from the proceeds of the Series 1991B Bonds, there shall be deposited with the Commission in the Series 1991B Reserve Account, the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1991A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining moneys derived from the sale of the Original Bonds shall be deposited upon receipt with the Depository Bank in the Bond Construction Trust Fund in the manner set forth in the Supplemental Resolution and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the 1991 Rebate Fund permitted hereunder, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended are hereby pledged as additional security for the Series 1991A Bonds and, thereafter, for the Series 1991B Bonds. In the event that Notes

are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority.

F. There shall additionally be established with the Depository Bank such separate accounts and subaccounts within the Bond Construction Trust Fund as are set forth in the Supplemental Resolution, if any, so that the Issuer and the Depository Bank may at all times ascertain the source of all funds in the Bond Construction Trust Fund.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

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

After completion of the Project, as certified by the Consulting Engineers, and all costs thereof have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1991A Bonds Reserve Account, and when fully funded, to the Series 1991B Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of any or all of the Original Bonds be deposited in any or all of the Reserve Accounts, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1991B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1991B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes or any line of credit evidenced by such Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of the Series 1991A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, on a parity with the lien on the Net Revenues in favor of the holders of the Series 1990 A Bonds and the Series 1990 C Bonds, and senior and prior to the lien on said Net Revenues in favor of the holders of the Series 1990 B Bonds and the Series 1991B Bonds. The payment of the debt service of the Series 1991A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Net Revenues, on a parity with the lien on the Net Revenues in favor of the holders

of the Series 1990 B Bonds, but such lien shall be junior and subordinate to the lien on said Net Revenues in favor of the holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Order of the Public Service Commission of West Virginia entered July 9, 1991 (Case No. 89-708-PSD-CN), and such rates are hereby adopted.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1991A Bonds and the Series 1991B Bonds, immediately be remitted to the Commission for deposit in the respective Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the respective Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such

sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority and the Purchaser so long as the Series 1990 C Bonds are outstanding, be remitted by the Issuer to the Commission for deposit in the respective 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. 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 Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to any or all of the Notes issued under the Indenture and/or supplemental resolution

prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture (if an Indenture is used) and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from any or all of the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1991B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from any or all of 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 1991A Bonds and the Series 1991B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

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

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of any or all of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1991B Bonds. No Parity Bonds shall be issued which shall be payable out of any or all of the revenues of the System on a parity with the Series 1991A Bonds, unless the Series 1991B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting

Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding or outstanding including, without limitation, the Prior Bonds;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1991A Bonds and the Series 1991B 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 1991A Bonds or the Series 1991B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart

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

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the 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, the Trustee and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee and the Authority, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a

statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation.

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 (or, where appropriate, continued) hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds (including, without limitation, 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 Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds (including, without limitation, the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds (including, without limitation, the Prior Bonds). In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated 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 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Trustee, the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission

of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water 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 or, if the waterworks facilities are not owned by the Issuer, the Issuer will use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, or any part thereof, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or any of the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties, or with the consent of the Authority and the Purchaser so long as the Series 1990 C Bonds are outstanding, for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $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, to the extent available at reasonable cost to the Issuer.

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

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

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.16. Completion of Project. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition.

Section 7.17. 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 Original 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 Original Bonds during the term thereof is, under the terms of the Original 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 Original 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 Original Bonds during the term thereof is, under the terms of the Original 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 Original 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 Original 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 Original 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 Original 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 Original 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 Original 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 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds shall be on a parity with each other and shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1991B Bonds and the Series 1990 B Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created (or, as to the Revenue Fund and the Renewal and Replacement Fund, continued) by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account except as otherwise provided herein with respect to the 1991 Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, 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 Trustee, if any, 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 Trustee, if any, and 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 comply with the Code and to assure the exclusion of interest on the Original 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 Bonds which would cause any of the Original 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 Original Bonds) so that the interest on the Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Original Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Original Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the 1991 Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the 1991 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 (or, if and where applicable, continued) hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the 1991 Rebate Fund shall be held free and clear of any lien or pledge hereunder or under the Indenture, if any, 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 1991 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 1991 Rebate Fund following all such payments required by the

preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the 1991 Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

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

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

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

B. 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 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 Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 Notes or Bonds, as the case may be, (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 Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the holders of the Series 1991 B Bonds and the Series 1990 B Bonds shall be subject to those of Holders of the Series 1991A Bonds, the holders of the Series 1990 A Bonds and the holders of the Series 1990 C 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, 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 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1991A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1991A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1991A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1991A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1991A 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1991A 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 1991A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1991A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1991A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior

to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1991B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1991B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1991B Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1991B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1991B 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of such Series 1991B 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 1991B Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Series 1991B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of said Series 1991B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such

reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture and/or the Supplemental Resolution pertaining to such Notes, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes, the Series 1991A Bonds or the Series 1991B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes, respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Original Bonds and the Notes, if any, 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 Notes, 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, the Indenture, if any, the Bonds or the Notes, if any.

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 and resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Prior Resolution or the Loan Resolution (Form FmHA 442-47) relative to the Series 1990 C Bonds, and the Prior Resolution shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolution.

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. Unless determined to be inapplicable to the Original Bonds, 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 respective maximum amounts of the Bonds and the Notes to be issued;

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

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

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

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

Section 11.08. Consent to Issuance of Series 1991A Bonds on Parity with Series 1990 A Bonds and Series 1990 C Bonds. The Issuer has or will have received the written consent of the holders of the Series 1990 A Bonds and the Series 1990 C Bonds for issuance of the Series 1991A Bonds on a parity therewith, prior to delivery of the Series 1991A Bonds.

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

Adopted this 14th day of November, 1991.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 14th day of November, 1991.

Dated: November 15, 1991

[SEAL]

Secretary, Public Service Board

11/13/91
FLATSB.A2
29212/91001

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1991A and Series 1991B

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1991A AND SERIES 1991B OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO THE SERIES 1991A BONDS AND SERIES 1991B BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO 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 and notes resolution, effective November 14, 1991 (the "Bond and Notes Resolution" or "Bond Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE PUBLIC SEWERAGE SYSTEM OR PUBLIC SEWERAGE FACILITIES, NOW EXISTING OR PRESENTLY BEING ACQUIRED AND CONSTRUCTED, 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 $330,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1991A, ON A PARITY WITH THE $1,147,938 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 A, AND $1,118,000 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 C, OF THE DISTRICT, NOT MORE THAN $15,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1991B, ON A PARITY WITH THE $51,892 AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1990 B, OF THE DISTRICT, AND NOT MORE THAN $400,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND

ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH SERIES 1991A AND SERIES 1991B BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond and Notes Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $345,000, to be issued in two series, the Series 1991A Bonds to be in an aggregate principal amount of not more than $330,000 (the "Series 1991A Bonds") and the Series 1991B Bonds to be in an aggregate principal amount of not more than $15,000 (the "Series 1991B Bonds") and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1991A Bonds to be dated the date of delivery of the Bonds, and a supplemental loan agreement relating to the Series 1991B Bonds, also to be dated the date of delivery of the Bonds (sometimes collectively referred to herein as the "Loan Agreement"), both by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A, of the West Virginia Code, 1931, as amended (the "Act"); and in the Bond and Notes Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, maturity dates, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Series 1991A Bonds and the Series 1991B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amounts, the prices, the maturity dates, the redemption provisions, the interest rates and the interest and principal payment dates of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

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

(A) The Sewer Revenue Bonds, Series 1991A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $275,806. The Series 1991A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2031, shall bear interest at the rate of 7.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable April 1, 1992, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1991A Bonds, and shall be payable in installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1991B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $9,194. The Series 1991B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2031, shall be interest free, shall be subject to redemption upon the written consent of the Authority, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1991B Bonds, and shall be payable in

installments of principal on October 1 of each of the years and in the amounts as set forth in "Schedule X," attached thereto and to the Supplemental Loan Agreement and incorporated therein by reference.

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

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

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

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

Section 6. The Issuer does hereby appoint and designate Home National Bank, Sutton, West Virginia, as Depository Bank under the Bond and Notes Resolution, and hereby determines that One Valley Bank, National Association, Charleston, West Virginia, should no longer serve as depository bank under the Bond and Notes Resolution and Supplemental Resolution of the Issuer each adopted November 14, 1990.

Section 7. Series 1991A Bonds proceeds in the amount of $21,370 shall be deposited in the Series 1991A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1991A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1991A Bonds Reserve Account, and Series 1991B Bonds proceeds in the amount of $-0- shall be deposited in the Series 1991B Bonds Reserve Account.

Section 9. The remaining proceeds of the Bonds shall be deposited in or credited to the Bond Construction Trust Fund for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds and repayment of any borrowings previously incurred for the Project, if any.

Section 10. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, if any, including, but not limited to, all borrowings from West Virginia Water Development Authority.

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 hereby and by the Bond and Notes Resolution approved and provided for, to the end that the Bonds may be delivered on or about November 15, 1991, to the Authority pursuant to the Loan Agreement.

Section 12. 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 13. 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 Bond and Notes Resolution held by the Depository Bank in time accounts secured by a pledge of Governmental Obligations with the Depository Bank 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 time accounts, until further directed by the Issuer. Moneys in the Sinking Funds for the Series 1991A Bonds and the Series 1991B Bonds shall be invested by the Municipal Bond Commission in the West Virginia restricted consolidated fund.

Section 14. 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 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 to be promulgated thereunder.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 14th day of November, 1991.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Dale L. Leavitt
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 the 14th day of November, 1991.

Dated: November 15, 1991.

[SEAL]

Secretary, Public Service Board

11/13/91
FLATSB.N2
29212/91001

Reserve - FF

(SPECIMEN SERIES 1991A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1991A

No. AR-1 $275,806

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 TWO HUNDRED SEVENTY-FIVE THOUSAND EIGHT HUNDRED SIX DOLLARS ($275,806), in installments on October 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1992. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated November 15, 1991.

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This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the public sewerage system or public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond (the "Project"); (ii) to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; and (iii) to pay certain costs of issuance hereof and related costs. The public sewerage system or the public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond, the Project and any further additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on November 14, 1991, and a Supplemental Resolution duly adopted by the Issuer on November 14, 1991 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE RESOLUTIONS AUTHORIZING THE ISSUANCE THEREOF, WITH THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS").

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991B, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $9,194 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1991B 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 the Net Revenues in favor of the holders of the Series 1990 A Bonds and the Series 1990 C Bonds, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1991A Bonds Reserve Account"), unexpended proceeds of the Bonds and the Series 1991B Bonds and the other sources provided in the Bond Legislation. 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 1991A Bonds Reserve Account, unexpended proceeds of the Bonds and the Series 1991B Bonds and the other sources provided in the Bond Legislation. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1991B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1991B Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1991A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1991B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1991B Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively

as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, 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 November 15, 1991.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1991A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A
SCHEDULE OF ANNUAL DEBT SERVICE

West Virginia Water Development Authority
Interest Bearing Local Loan from Series 1991 A Pool
Debt Service Schedule - Flatwoods - Canoe Run PSD

Closing 11/15 /91
Total Amount Borrowed: $275,806.00

Date	Coupon	Principal	Interest	Debt Service
10/1/91	7.75%	0.00	0.00	0.00
10/1/92	7.75%	3,552.00	18,762.47	22,314.47
10/1/93	7.75%	1,214.00	21,099.69	22,313.69
10/1/94	7.75%	1,308.00	21,005.60	22,313.60
10/1/95	7.75%	1,410.00	20,904.23	22,314.23
10/1/96	7.75%	1,519.00	20,794.96	22,313.96
10/1/97	7.75%	1,637.00	20,677.23	22,314.23
10/1/98	7.75%	1,764.00	20,550.37	22,314.37
10/1/99	7.75%	1,900.00	20,413.66	22,313.66
10/1/00	7.75%	2,048.00	20,266.41	22,314.41
10/1/01	7.75%	2,206.00	20,107.69	22,313.69
10/1/02	7.75%	2,377.00	19,936.72	22,313.72
10/1/03	7.75%	2,561.00	19,752.50	22,313.50
10/1/04	7.75%	2,760.00	19,554.03	22,314.03
10/1/05	7.75%	2,974.00	19,340.13	22,314.13
10/1/06	7.75%	3,204.00	19,109.64	22,313.64
10/1/07	7.75%	3,453.00	18,861.33	22,314.33
10/1/08	7.75%	3,720.00	18,593.72	22,313.72
10/1/09	7.75%	4,009.00	18,305.42	22,314.42
10/1/10	7.75%	4,319.00	17,994.73	22,313.73
10/1/11	7.75%	4,654.00	17,860.00	22,314.00
10/1/12	7.75%	5,015.00	17,299.32	22,314.32
10/1/13	7.75%	5,403.00	16,910.66	22,313.66
10/1/14	7.75%	5,822.00	16,491.92	22,313.92
10/1/15	7.75%	6,273.00	16,040.72	22,313.72
10/1/16	7.75%	6,759.00	15,554.56	22,313.56
10/1/17	7.75%	7,283.00	15,030.74	22,313.74
10/1/18	7.75%	7,848.00	14,466.31	22,314.31
10/1/19	7.75%	8,456.00	13,858.09	22,314.09
10/1/20	7.75%	9,111.00	13,202.75	22,313.75
10/1/21	7.75%	9,817.00	12,496.64	22,313.64
10/1/22	7.75%	10,578.00	11,735.83	22,313.83
10/1/23	7.75%	11,398.00	10,916.03	22,314.03
10/1/24	7.75%	12,281.00	10,032.69	22,313.69
10/1/25	7.75%	13,233.00	9,080.91	22,313.91
10/1/26	7.75%	14,258.00	8,055.35	22,313.35
10/1/27	7.75%	15,363.00	6,950.36	22,313.36
10/1/28	7.75%	16,554.00	5,759.72	22,313.72
10/1/29	7.75%	17,837.00	4,476.79	22,313.79
10/1/30	7.75%	19,219.00	3,094.42	22,313.42
10/1/31	7.75%	20,709.00	1,604.87	22,313.87
		275,806.00	616,749.21	892,555.21

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:

_____

Reserve FF

(SPECIMEN SERIES 1991B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1991B

No. BR-1 $9,194

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 NINE THOUSAND ONE HUNDRED NINETY-FOUR DOLLARS ($9,194), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated November 15, 1991.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the public sewerage system or public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The public sewerage system or the public sewerage facilities of the Issuer, existing or being acquired and constructed on the date of this Bond, the Project and any further additions, extensions or improvements thereto is herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of

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1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on November 14, 1991, and a Supplemental Resolution duly adopted by the Issuer on November 14, 1991 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $275,806 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1991A BONDS");

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS"); AND

(iii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS").

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 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 the Net Revenues in favor of the holders of the Series 1990 B Bonds, after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1991B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This

Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1991B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1991A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1991A Bonds or the Bonds, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1991B Bonds Reserve Account and the reserve account established for the Series 1991A Bonds, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1991A Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations, including, without limitation, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, is funded at least at 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 One Valley Bank, National Association, 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 as set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of

the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owners of the Bonds, which lien is subordinate to the lien in favor of the registered owners of the Series 1991A Bonds.

In accordance with the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 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 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 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 November 15, 1991.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1991B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A
SCHEDULE OF ANNUAL DEBT SERVICE

West Virginia Water Development Authority
Interest Free Local Loan from Series 1991 A Pool
Debt Service Schedule - Flatwoods - Canoe Run PSD

Closing 11/15 /91
Total Amount Borrowed: $9,194.00

Date	Interest Free Loan	Debt Service
10/1/91		
10/1/92	0.00	0.00
10/1/93	235.74	235.74
10/1/94	235.74	235.74
10/1/95	235.74	235.74
10/1/96	235.74	235.74
10/1/97	235.74	235.74
10/1/98	235.74	235.74
10/1/99	235.74	235.74
10/1/00	235.74	235.74
10/1/01	235.74	235.74
10/1/02	235.74	235.74
10/1/03	235.74	235.74
10/1/04	235.74	235.74
10/1/05	235.74	235.74
10/1/06	235.74	235.74
10/1/07	235.74	235.74
10/1/08	235.74	235.74
10/1/09	235.74	235.74
10/1/10	235.74	235.74
10/1/11	235.74	235.74
10/1/12	235.74	235.74
10/1/13	235.74	235.74
10/1/14	235.74	235.74
10/1/15	235.74	235.74
10/1/16	235.74	235.74
10/1/17	235.74	235.74
10/1/18	235.74	235.74
10/1/19	235.74	235.74
10/1/20	235.74	235.74
10/1/21	235.74	235.74
10/1/22	235.74	235.74
10/1/23	235.74	235.74
10/1/24	235.74	235.74
10/1/25	235.74	235.74
10/1/26	235.74	235.74
10/1/27	235.74	235.74
10/1/28	235.74	235.74
10/1/29	235.74	235.74
10/1/30	235.74	235.74
10/1/31	235.88	235.88
	9,194.00	9,194.00

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

SEWER REVENUE BONDS, SERIES 1994
(WEST VIRGINIA SRF PROGRAM)
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION

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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM 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 $2,896,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), ON A PARITY WITH THE SEWER REVENUE BONDS, SERIES 1991A, SEWER REVENUE BONDS, SERIES 1990 A, AND SEWER REVENUE BONDS, SERIES 1990 C, OF THE DISTRICT, AND SENIOR AND PRIOR TO THE SEWER REVENUE BONDS, SERIES 1991B, AND SEWER REVENUE BONDS, SERIES 1990 B, OF THE DISTRICT, AND NOT MORE THAN $150,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 20, Article 5I 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 political subdivision of the State of West Virginia in Braxton County of said State.

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewerage system of the Issuer, consisting of extensions to an area known as the "Sutton Lane Extension" in Braxton County, West Virginia, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage system, the Project and any further additions or improvements thereto or extensions thereof, are herein called the "System") at an estimated cost of $2,906,000, 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 estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Series 1994 Bonds, the Series 1994 Bonds Sinking Fund, the Series 1994 Bonds Reserve Account and other payments provided for herein and in the Prior Resolutions, all as such terms are hereinafter defined.

D. The Issuer intends to finance such costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, in order to take advantage of the favorable terms available to the Issuer under the SRF Program.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program) in the total aggregate principal amount of not more than $2,896,000, to be initially represented by a single bond (the "Series 1994 Bonds"), and (at the option of the Issuer) to issue its sewerage system bond anticipation notes prior to issuance of the Series 1994 Bonds or contemporaneously therewith, or as soon as practicable thereafter, to issue its sewerage system grant anticipation notes, and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than $150,000 to temporarily finance costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Series 1994 Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1994 Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1994 Bonds and/or the Notes 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, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1994 Bonds or the Notes 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 20 years.

G. It is in the best interests of the Issuer that its Series 1994 Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") to be entered into by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Department of Commerce, Labor and Environmental Resources (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP, to be approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank either on parity with or junior and subordinate to the Series 1994 Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions, together with the Series 1994 Bonds, as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds")	First Lien
Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds")	First Lien
Sewer Revenue Bonds, Series 1991A, dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991A Bonds")	First Lien
Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), (the "Series 1994 Bonds")	First Lien
Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds")	Second Lien
Sewer Revenue Bonds, Series 1991B, dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991B Bonds")	Second Lien

The Series 1990 A Bonds, the Series 1990 C Bonds, Series 1991A Bonds and the Series 1994 Bonds are hereinafter collectively called the "First Lien Bonds," and the Series 1990 B Bonds and Series 1991B Bonds are hereinafter collectively called the "Second Lien Bonds." The Series 1990 A Bonds, the Series 1990 B Bonds, the Series 1990 C Bonds, the Series 1991A Bonds and the Series 1991B Bonds are hereinafter collectively called the "Prior Bonds."

The Issuer has met the parity requirements of the Prior Resolutions and the Series 1994 Bonds shall be issued on parity with the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, and senior and prior to the Series 1991B Bonds and the Series 1990 B 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 1994 Bonds, the Issuer will have received the written consent of the Authority, the present holder of the entire outstanding aggregate principal amounts of the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds and the Series 1990 B Bonds, and the Purchaser, hereinafter defined, the present holder of the entire outstanding aggregate principal amounts of the Series 1990 C Bonds, to issuance of the Series 1994 Bonds with lien positions with respect to the Prior Bonds as set forth above.

The Grant Anticipation Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such Grant Anticipation Notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Grant Anticipation Notes. The Bond Anticipation Notes, if issued, will be payable from the proceeds of the Series 1994 Bonds, certain proceeds of such Bond Anticipation Notes and the Net Revenues, if necessary and if available, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such Bond Anticipation Notes.

Other than the Prior Bonds, there are no outstanding obligations of the Issuer which will rank prior to or on a parity with or junior to the Series 1994 Bonds as to liens, pledge and/or source of and security for payment. The Issuer has outstanding its $152,000 Water System Revenue Bonds, dated January 1, 1971, which are not payable from or entitled to any lien on or pledge of any of the revenues of the System or a statutory mortgage lien thereon.

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 the issuance of the Series 1994 Bonds and the Notes, 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 1994 Bonds or any of the Notes or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1994 Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Series 1994 Bonds and Notes, respectively, 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 and between any one Note of a series and any other Note

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 20, Article 5I 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 1994 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

"Bond Year" means each 1-year period (or shorter period from the date of issue of the Series 1994 Bonds) that ends at the close of business on October 1 of each calendar year, unless otherwise required under the Code.

"Bonds" means, collectively, the Series 1994 Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder, and includes the Prior Bonds, whether such Prior Bonds are specifically referred to or not, unless the context otherwise requires.

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

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, 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 1.02E hereof to be a part of the cost of acquisition and construction of the Project.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Department of Commerce, Labor and Environmental Resources, or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means the bank or trust company 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.

"Grant" means all moneys received by the Issuer on account of any Grant for the Project.

"Grant Agreement" means a written commitment for the payment of 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 after the date of issuance of any Grant Anticipation Notes.

"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.

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

"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.

"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," "Borrower" or "District" means 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.

"Loan Agreement" means the Loan Agreement, and any Addendum to the Loan Agreement, heretofore entered into or to be entered into among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1994 Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified and confirmed by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1994 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1994 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 1994 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 1994 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1994 Bonds.

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

"Notes" means, collectively, the not more than $150,000 in aggregate principal amount of sewerage system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution pertaining to such Notes and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated (where applicable) and delivered, or all Notes theretofore and thereupon being authenticated and delivered, except (i) any Bond or Note cancelled by the Bond Registrar or Notes Registrar, at or prior to said date; (ii) any Bond or Note 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 or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Note deemed to have been paid as provided in Article X hereof or as provided in the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes 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 bank or banks or other entity designated as such for the Series 1994 Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer with the written consent of the Authority and DEP.

"Prior Bonds" means, collectively, the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds.

"Prior Resolutions" means, collectively, the resolution of the Issuer adopted November 14, 1991, authorizing the Series 1991A Bonds and the Series 1991B Bonds, as supplemented by a Supplemental Resolution of the Issuer also adopted November 14, 1991, the resolution of the Issuer adopted November 14, 1990, authorizing the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, as supplemented by a Supplemental Resolution of the Issuer also adopted November 14, 1990, and any other resolution supplemental thereto and adopted prior to the date of adoption of this Resolution.

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

use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" means the acquisition and construction of improvements and extensions to the existing public sewerage system of the Issuer, such improvements and extensions consisting generally of extensions to an area known as the "Sutton Lane Extension" in Braxton County, West Virginia, together with all appurtenant facilities.

"Purchaser" or "Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"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 or similar banking arrangements, fully secured by investments of the types described in paragraphs (a) through (e) above or fully insured by the FDIC, with member banks of the Federal Reserve system or 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, including, without limitation, authorized pools of investments operated by such State Board of Investments; 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," "Noteholder," "Bondholder," "Holder" or any similar term means, whenever used herein with respect to an outstanding Bond, Note, Bonds or Notes, the person in whose name such Bond or Note is registered.

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar, or both.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by (or continued under) Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund established by (or continued under) Section 5.01 hereof.

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

"Series 1990 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938.

"Series 1990 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842.

"Series 1990 C Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000.

"Series 1991A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991A, dated November 15, 1991, issued in the original aggregate principal amount of $275,806.

"Series 1991B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991B, dated November 15, 1991, issued in the original aggregate principal amount of $9,194.

"Series 1994 Bonds" means the not more than $2,896,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), of the Issuer.

"Series 1994 Bonds Reserve Account" means the Series 1994 Bonds Reserve Account established in the Series 1994 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1994 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1994 Bonds in the then current or any succeeding year.

"Series 1994 Bonds Sinking Fund" means the Series 1994 Bonds Sinking Fund established by Section 5.02 hereof.

"SRF Program" means the State's water pollution control revolving fund program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds from the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"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 any or all of the Notes or the sale of the Series 1994 Bonds, as the case may be; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes or the Series 1994 Bonds, as the case may be, 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 (including, without limitation, the Prior Bonds) or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, now existing or presently being acquired and constructed, in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto now being or hereafter constructed or acquired for said system from any sources whatsoever.

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter 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 $2,906,000, 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 Notes and the Series 1994 Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively.

The Issuer has entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program.

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 1994 Bonds, funding a reserve account for the Series 1994 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1994 Bonds and related costs, or any one or more of such purposes, as determined by the Supplemental Resolution, there shall be and are authorized to be issued negotiable Series 1994 Bonds of the Issuer, in an aggregate principal amount of not more than $2,896,000. Said Bonds shall be issued as a single bond, designated "Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program)," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Grant Anticipation Notes, if any. The proceeds of the Series 1994 Bonds remaining after funding of the Series 1994 Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond 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 1994 Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1994 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.

Unless otherwise provided by the Supplemental Resolution or herein, the Series 1994 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 thereto, representing the aggregate principal amount of the Series 1994 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1994 Bonds shall be exchangeable at the option and expense of the Holder for another fully registered Series 1994 Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Series 1994 Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Series 1994 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 1994 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 1994 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 1994 Bonds shall cease to be such officer of the Issuer before the Series 1994 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 1994 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 1994 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1994 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 1994 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 Issuer, through the Bond Registrar for the Bonds other than the Series 1990 C Bonds, shall keep and maintain books for the registration and transfer of the respective series of Bonds.

Subject to the provisions of the Prior Resolution with respect to the Series 1990 C Bonds, the registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized

in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate (when applicable) 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 1994 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 1994 Bonds Reserve Account. No holder or holders of the Series 1994 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1994 Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions Including with Respect to the Prior Bonds. The payment of the debt service of all the Series 1994 Bonds shall be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, senior and prior to the lien on the Net Revenues in favor of the holders of the Series 1990 B Bonds and the Series 1991B Bonds,

and on a parity with the lien on the Net Revenues in favor of the holders of the Series 1990 A Bonds, the Series 1990 C Bonds and the Series 1991A Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1994 Bonds and the Prior Bonds and to make the payments into the Sinking Funds and Reserve Accounts therein and the Renewal and Replacement Fund are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1994 Bonds and the Prior Bonds as the same become due, all as set forth in this Bond Legislation and the Prior Resolutions.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1994 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1994 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 1994 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 1994 Bonds to the original purchasers; and

C. The unqualified approving opinion of bond counsel on the Series 1994 Bonds.

D. Written consents of the Authority and the Purchaser to the issuance of the Series 1994 Bonds with lien positions with respect to the Prior Bonds as set forth in paragraph H of Section 1.02 hereof.

Section 3.10. Form of Series 1994 Bonds. The text of the Series 1994 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 1994 Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1994
(WEST VIRGINIA SRF PROGRAM)

No. R-____ $_____

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 _____ 1, _____ 1, _____ 1 and _____ 1 of each year, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated _____, 199____, and the Addendum to the Loan Agreement dated _____, 199____, by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection.

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 sewerage system 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 sewerage system of the Issuer, the Project and any further additions, extensions or

improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 20, Article 5I, of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 1994, and a Supplemental Resolution duly adopted by the Issuer on _____, 1994 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE RESOLUTIONS AUTHORIZING THE ISSUANCE THEREOF, WITH THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS"); AND

(iii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991A, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991A BONDS").

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991B, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL

AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991B 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 the Net Revenues in favor of the holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1994 Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1994 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 prior to or on a parity with or subordinate to the Bonds, including, without limitation, the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1994 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 prior to or on a parity with or subordinate to the Bonds, including, without limitation, the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C 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 One Valley Bank, National Association, 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 the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

In accordance with of the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 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 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 _____, 1994.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $

(Form of)

SCHEDULE 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 1994 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer attest the same, and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Series 1994 Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $150,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 1994 Bonds or the Net Revenues (if issued in the form of Bond Anticipation Notes) or the Grant Receipts, the Surplus Revenues and letter of credit proceeds (if issued in the form of Grant Anticipation Notes) and from other sources described in the Indenture and/or a supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $150,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

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 and established (or continued if previously created and established by the Prior Resolutions) 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 (created and established by the Prior Resolutions);

(2) Renewal and Replacement Fund (created and established by the Prior Resolutions);

(3) Bond Construction Trust Fund;

(4) Rebate Fund (created and established by the Prior Resolutions); and

(5) 1994 Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously created and established by the Prior Resolutions) with the Commission:

(1) The Sinking Funds established for the Prior Bonds, including the reserve accounts established therein, and the Series 1990 C Bonds Reserve Account established for the Series 1990 C Bonds (established by the Prior Resolutions and therein called the "Series 1991A Bonds Sinking Fund," the "Series 1991B Bonds Sinking Fund," the "Series 1991A Bonds Reserve Account," the "Series 1991B Bonds Reserve Account," the "Series 1990 A Bonds Sinking Fund," the "Series 1990 B Bonds Sinking Fund," the "Series 1990 A Bonds Reserve Account," the "Series 1990 B Bonds Reserve Account" and the "Series 1990 C Bonds Reserve Account," respectively, and herein collectively called the "Prior Bonds Sinking Fund"); and

(2) Series 1994 Bonds Sinking Fund;

(a) Within the Series 1994 Bonds Sinking Fund, the Series 1994 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 in the Prior Resolutions 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 and in the Prior Resolutions provided.

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, (i) each month, on or before the due date of payment of each installment on the Series 1990 C Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1990 C Bonds (or such other place as may be subsequently provided pursuant to the Series 1990 C Bonds), the amount required by the Prior Resolutions to pay the interest on the Series 1990 C Bonds, and to amortize the principal of the Series 1990 C Bonds over the life of such Bond issue, and on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolutions to be deposited in the Series 1990 A Bonds Sinking Fund for payment of the interest on and principal of the Series 1990 A Bonds and in the Series 1991A Bonds Sinking Fund for payment of the interest on and principal of the Series 1991A Bonds, and (ii) simultaneously with the transfers set forth in Subsection 5.03A(2)(i), on the first day of each month, commencing 4 months prior to the first date of payment of interest on the Series 1994 Bonds for which interest has not been capitalized or as required in the Loan Agreement, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1994 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on said Series 1994 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 1994 Bonds Sinking Fund and the next quarterly interest payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date, and (iii), simultaneously with the transfers set forth in Subsections 5.03A(2)(i) and (ii), on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1994 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1994 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 1994 Bonds Sinking Fund and the next annual principal payment date is less than

4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, (i) on each date that payment is made as set forth in Subsection 5.03A(2)(i) above, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolutions to be deposited in the Series 1991A Bonds Reserve Account, the Series 1990 A Bonds Reserve Account and the Series 1990 C Bonds Reserve Account at the times provided in the Prior Resolutions, and (ii), simultaneously with the transfers set forth in Subsection 5.03A(3)(i), on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1994 Bonds, if not fully funded upon issuance of the Series 1994 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 Bonds Reserve Account, an amount equal to 1/120 of the Series 1994 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1994 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 1994 Bonds Reserve Requirement.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing with the month succeeding the first full calendar month after commencement of operation of the System, and as previously set forth in the Prior Resolutions but not in addition thereto, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1994 Bonds Reserve Account, the Series 1991A Bonds Reserve Account, the Series 1990 A Bonds Reserve Account or the Series 1990 C Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby or by the Prior Resolutions] shall be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis, and, thereafter, any deficiencies in the Series 1991B Bonds Reserve Account or the Series 1990 B Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereby

or by the Prior Resolutions] shall next be promptly eliminated with moneys from the Renewal and Replacement Fund on a pro rata basis.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolutions to be deposited in the Series 1990 B Bonds Sinking Fund for payment of principal of the Series 1990 B Bonds and in the Series 1991B Bonds Sinking Fund for payment of principal of the Series 1991B Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolutions to be deposited in the Series 1990 B Bonds Reserve Account and in the Series 1991B Bonds Reserve Account.

Moneys in the Series 1994 Bonds Sinking Fund shall be used only for purposes of paying principal of and interest on the Series 1994 Bonds as the same shall become due. Moneys in the Series 1994 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1994 Bonds, as the same shall come due, when other moneys in the Series 1994 Bonds Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the 1994 Rebate Fund permitted hereunder.

Except to the extent transferred to the 1994 Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1994 Bonds Sinking Fund and the Series 1994 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the Series 1994 Bonds, and then to the next ensuing principal payments due thereon.

Except with respect to transfers to the 1994 Rebate Fund permitted hereunder, any withdrawals from the Series 1994 Bonds Reserve Account which result in a reduction in the balance of the Series 1994 Bonds Reserve Account to below the Series 1994 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments set forth in Subsection 5.03A(2) hereof have been made in full for payment of debt service on the Series 1991A Bonds, the Series 1990 A Bonds, the Series 1990 C Bonds and the Series 1994 Bonds.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective sinking fund and otherwise 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 or accounts in an amount or amounts equal to the maximum amount or amounts of principal

and interest which will become due in any year for account of the Bonds of such series, including such additional Bonds.

The Issuer shall not be required to make any further payments into the Series 1994 Bonds Sinking Fund or into the Series 1994 Bonds Reserve Account therein, when the aggregate amount of funds in said Sinking Fund and Reserve Account are at least equal to the aggregate principal amount of the Series 1994 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata, with respect to the Series 1990 A Bonds, the Series 1990 C Bonds, the Series 1991A Bonds and the Series 1994 Bonds in accordance with the respective principal amounts then Outstanding, and thereafter shall be made on a parity and pro rata with respect to the Series 1990 B Bonds and Series 1991B Bonds in accordance with the respective principal amounts then Outstanding, if any such principal or interest payment or Reserve Account payment is to be made in less than the full amount then called for herein or in the Prior Resolutions.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1994 Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1994 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 Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1994 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the 1994 Rebate Fund permitted hereunder, the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1994 Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions and in the priority hereinafter set forth.

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

to be so transferred and paid into the Series 1994 Bonds Sinking Fund (including the Reserve Account therein), the Series 1991A Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 A Bonds Sinking Fund (including the Reserve Account therein), the Series 1991B Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 B Bonds Sinking Fund (including the Reserve Account therein), the Series 1990 C Bonds Reserve Account and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

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 interest, principal and reserve payments with respect to the Series 1994 Bonds. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, 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. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Depository Bank's charges and the Paying Agent and Commission's fees then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority shall require, the Issuer's allocable share of reasonable administrative expenses, if any, incurred by the Authority with respect to the SRF Program.

E. All funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein and in the Prior Resolutions, and until so used, the Holders of the Series 1994 Bonds, the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds shall have a lien thereon, to the extent provided herein and in the Prior Resolutions, and, thereafter, and subject and subordinate to the liens of the Holders of the Series 1994 Bonds, the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, the Holders of the Series 1991B Bonds and the Series 1990 B Bonds shall have a lien thereon to the extent provided herein and in the Prior Resolutions. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund, the Renewal and Replacement Fund and the 1994 Rebate Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of State and municipal funds under the laws of the State.

F. 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.

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

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

I. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following the Completion Date, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

J. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank 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 Authority, the DEP and the Purchaser.

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 1994 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1994 Bonds, there shall first be deposited with the Commission in the Series 1994 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1994 Bonds for the period commencing on the date of issuance of such Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1994 Bonds, there shall be deposited with the Commission in the Series 1994 Bonds Reserve Account, the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1994 Bonds Reserve Account.

C. Next, from the proceeds of the Series 1994 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining advances of moneys derived from the sale of the Series 1994 Bonds shall be deposited upon receipt with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Except with respect to any transfers to the 1994 Rebate Fund permitted hereunder, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended are hereby pledged as additional security for the Series 1994 Bonds. In the event that Notes are issued, the disposition of funds in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority and the DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Series 1994 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, 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 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes or any line of credit evidenced by such Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Series 1994 Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1994 Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions. The payment of the debt service of the Series 1994 Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, and senior and prior to the lien on said Net Revenues in favor of the Holders of the Series 1990 B Bonds and the Series 1991B Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1994 Bonds and the Prior Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation and the Prior Resolutions are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Series 1994 Bonds and the Prior Bonds as the same become due, and for the other purposes provided in the Bond Legislation and the Prior Resolutions.

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 Order of the Public Service Commission of West Virginia entered January 5, 1993 (Case No. 91-1056-PSD-CN), and such rates are hereby adopted.

Section 7.05. Sale of the System. Except as otherwise required by law and with the written consent of the DEP, the Authority and the Purchaser, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1994 Bonds, immediately be remitted to the Commission for deposit in the Series 1994 Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1994 Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

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

Series 1990 C Bonds are outstanding, be remitted by the Issuer to the Commission for deposit in the respective 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. 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 Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to any or all of the Notes issued under the Indenture and/or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture (if an Indenture is used) and the Bond Legislation; and, so long as the Series 1994 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from any or all of 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 1994 Bonds. All obligations issued by the Issuer after the issuance of the Series 1994 Bonds and payable from any or all of 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 1994 Bonds; provided, that no such subordinate obligations shall be issued unless payments required to be made into all funds and accounts established by the Prior Resolutions and 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 1994 Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1994 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the DEP 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. No Parity Bonds, payable out of any or all of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1994 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions and improvements to the System or refunding the Series 1994 Bonds issued pursuant hereto, or both such purposes.

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

(1) The Bonds then Outstanding or outstanding including, without limitation, the Prior Bonds;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

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

No Parity Bonds shall be valid unless authenticated pursuant to Section 3.04. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.09 with respect to the Series 1994 Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1994 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 1994 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 Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, 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 DEP 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 DEP, 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 or of a Note or Notes issued pursuant to this Bond Legislation and/or the Indenture or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the 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, the Trustee, the DEP and the Authority, or any other original purchaser of the Series 1994 Bonds, and shall mail in

each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee, the DEP and the Authority, or any other original purchaser of the Series 1994 Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall permit the Authority or the DEP, 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 DEP, 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 DEP 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 (or, where appropriate, continued) hereunder. Such schedule of rates and

charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 1994 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1994 Bonds (including, without limitation, the Prior Bonds); provided that, in the event that amounts equal to or in excess of the Series 1994 Bonds Reserve Requirement are on deposit in the Series 1994 Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with the Series 1994 Bonds (including, without limitation, the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1994 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1994 Bonds (including, without limitation, the Prior Bonds). In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP 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 Trustee, the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit B, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP 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 DEP 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 require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

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 and any services and facilities of the water 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 or, if the waterworks facilities are not owned by the Issuer, the Issuer will use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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, or any part thereof, 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 Series 1994 Bonds or any of the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with

respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties, or with the consent of the Authority and the Purchaser so long as the Series 1990 C Bonds are outstanding, for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $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 System facilities are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

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

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

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Completion 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 West Virginia Public Service Commission 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 1994 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1994 Bonds during the term thereof is, under the terms of the Series 1994 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1994 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1994 Bonds during the term thereof is, under the terms of the Series 1994 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1994 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1994 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 1994 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other

than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1994 Bonds to be "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 1994 Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take 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 1994 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (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 1994 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 1994 Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1994 Bonds, the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds shall be on a parity with each other and shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1991B Bonds and the Series 1990 B 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. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP 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 DEP or other federal, State or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created (or, as to the Revenue Fund and the Renewal and Replacement Fund, continued) by this Bond Legislation or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account except as otherwise provided herein with respect to the 1994 Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, 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 Trustee, if any, 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 Trustee, if any, and 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 comply with the Code and to assure the exclusion of interest on the Series 1994 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 Bonds which would cause any of the Series 1994 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 1994 Bonds) so that the interest on the Series 1994 Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions 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 1994 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1994 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the 1994 Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the 1994 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 (or, if and where applicable, continued) hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the 1994 Rebate Fund shall be held free and clear of any lien or pledge hereunder or under the Indenture, if any, 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 1994 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 1994 Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the 1994 Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of

the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1994 Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception therefrom, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1994 Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority 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. A. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

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

B. 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 the 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 Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 Notes or Bonds, as the case may be, (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 Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1991 B Bonds and the Series 1990 B Bonds shall be subject to those of Holders of the Series 1994 Bonds, the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C 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, 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 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1994 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1994 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1994 Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1994 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1994 Bonds from gross income for federal income tax purposes.

Series 1994 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 Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1994 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 1994 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1994 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1994 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture and/or the Supplemental Resolution pertaining to such Notes, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or 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 Notes or the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes, respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1994 Bonds and the Notes, if any, 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 Notes, 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, the Indenture, if any, the Series 1994 Bonds or the Notes, if any.

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 Resolutions. All orders and resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that this Section shall not be applicable to the Prior Resolutions or the Loan Resolution (Form FmHA 442-47) relative

to the Series 1990 C Bonds, and the Prior Resolutions shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

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. Unless determined to be inapplicable to the Series 1994 Bonds, 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 respective maximum amounts of the Series 1994 Bonds and the Notes to be issued;

(b) The respective maximum interest rates and terms of the Series 1994 Bonds and the Notes originally authorized hereby;

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

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

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

Section 11.08. Consent to Issuance of Series 1994 Bonds on Parity with Series 1991A Bonds, Series 1990 A Bonds and Series 1990 C Bonds. The Issuer has or will have received the written consent of the Holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds for issuance of the Series 1994 Bonds on a parity therewith, prior to delivery of the Series 1994 Bonds.

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

Adopted this 13th day of April, 1994.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 13th day of April, 1994.

Dated: April 26, 1994.

[SEAL]

Secretary, Public Service Board

04/13/94
FCRC.A5
29212/92001

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 1994
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A 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 and notes resolution, effective April 13, 1994 (the "Bond and Notes Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM 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 $2,896,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), ON A PARITY WITH THE SEWER REVENUE BONDS, SERIES 1991A, SEWER REVENUE BONDS, SERIES 1990 A, AND SEWER REVENUE BONDS, SERIES 1990 C, OF THE DISTRICT, AND SENIOR AND PRIOR TO THE SEWER REVENUE BONDS, SERIES 1991B, AND SEWER REVENUE BONDS, SERIES 1990 B, OF THE DISTRICT, AND NOT MORE THAN $150,000 INTERIM CONSTRUCTION

FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond and Notes Resolution provides for the issuance of Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), of the Issuer (the "Bonds" or the "Series 1994 Bonds"), in an aggregate principal amount not to exceed $2,896,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds dated December 22, 1993, and an addendum to the loan agreement dated April 4, 1994 (collectively, the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection (the "DEP"), all in accordance with Chapter 16, Article 13A and Chapter 20, Article 5I of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond and Notes Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, 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 and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, 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 SERVICE DISTRICT:

Section 1. Pursuant to the Bond and Notes Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of $2,896,000. The Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2014 and shall bear interest at the rate of 0% per annum. The principal of the Bonds is payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1996. The Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, 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 Bonds, and shall be payable in installments of principal in the amounts as set forth in "Schedule Y," attached thereto and to the Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby 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 DEP 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, as Registrar (the "Registrar") for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, in substantially the form attached hereto, 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 direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds.

Section 6. The Issuer does hereby appoint Home National Bank, Sutton, West Virginia, as Depository Bank under the Bond and Notes Resolution.

Section 7. Series 1994 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1994 Bonds Sinking Fund as capitalized interest.

Section 8. Series 1994 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1994 Bonds Reserve Account.

Section 9. The balance of the proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds.

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 hereby and by the Bond and Notes 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 April 26, 1994, or shortly thereafter.

Section 11. 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 12. 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 Bond and Notes Resolution held by the Depository Bank 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 Series 1994 Bonds Sinking Fund shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. 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 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 13th day of April, 1994.

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

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 the 13th day of April, 1994.

Dated: April 26, 1994.

[SEAL]

Secretary, Public Service Board

04/13/94
FCRC.E3
29212/92001

Reserve - 10c

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1994
(WEST VIRGINIA SRF PROGRAM)

No. R-1 $2,896,000

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 TWO MILLION EIGHT HUNDRED NINETY-SIX THOUSAND DOLLARS ($2,896,000), 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, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, without interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 22, 1993, and the Addendum to the Loan Agreement dated April 4, 1994, by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection.

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 sewerage system 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 sewerage system of the Issuer, the Project and any further additions, extensions or improvements

thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 20, Article 5I, of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on April 13, 1994, and a Supplemental Resolution duly adopted by the Issuer on April 13, 1994 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ON PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, EXCEPT TO THE EXTENT OTHERWISE PROVIDED IN THE RESOLUTIONS AUTHORIZING THE ISSUANCE THEREOF, WITH THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS"); AND

(iii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991A, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991A BONDS").

THIS BOND IS SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING:

(i) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) THE ISSUER'S SEWER REVENUE BONDS, SERIES 1991B, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991B 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 the Net Revenues in favor of the holders of the Series 1991A Bonds, the Series 1990 A Bonds and the Series 1990 C Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1994 Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1994 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 prior to or on a parity with or subordinate to the Bonds, including, without limitation, the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C Bonds, provided, however, that so long as there exists in the Series 1994 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 prior to or on a parity with or subordinate to the Bonds, including, without limitation, the Series 1991A Bonds, the Series 1991B Bonds, the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C 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 One Valley Bank, National Association, 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 the payment of the Costs of the Project described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

In accordance with of the requirements of the United States Department of Agriculture, Farmers Home Administration, 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 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 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 April 26, 1994.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 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: April 26, 1994.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $

SCHEDULE B

SCHEDULE OF ANNUAL DEBT SERVICE

FLATWOODS CANOE RUN PSD

SRF

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
12/01/1995	-	-	-	-
3/01/1996	38,106.00	-	-	38,106.00
6/01/1996	38,106.00	-	-	38,106.00
9/01/1996	38,106.00	-	-	38,106.00
12/01/1996	38,106.00	-	-	38,106.00
3/01/1997	38,106.00	-	-	38,106.00
6/01/1997	38,106.00	-	-	38,106.00
9/01/1997	38,106.00	-	-	38,106.00
12/01/1997	38,106.00	-	-	38,106.00
3/01/1998	38,106.00	-	-	38,106.00
6/01/1998	38,106.00	-	-	38,106.00
9/01/1998	38,106.00	-	-	38,106.00
12/01/1998	38,106.00	-	-	38,106.00
3/01/1999	38,106.00	-	-	38,106.00
6/01/1999	38,106.00	-	-	38,106.00
9/01/1999	38,106.00	-	-	38,106.00
12/01/1999	38,106.00	-	-	38,106.00
3/01/2000	38,106.00	-	-	38,106.00
6/01/2000	38,106.00	-	-	38,106.00
9/01/2000	38,106.00	-	-	38,106.00
12/01/2000	38,106.00	-	-	38,106.00
3/01/2001	38,105.00	-	-	38,105.00
6/01/2001	38,105.00	-	-	38,105.00
9/01/2001	38,105.00	-	-	38,105.00
12/01/2001	38,105.00	-	-	38,105.00
3/01/2002	38,105.00	-	-	38,105.00
6/01/2002	38,105.00	-	-	38,105.00
9/01/2002	38,105.00	-	-	38,105.00
12/01/2002	38,105.00	-	-	38,105.00
3/01/2003	38,105.00	-	-	38,105.00
6/01/2003	38,105.00	-	-	38,105.00
9/01/2003	38,105.00	-	-	38,105.00
12/01/2003	38,105.00	-	-	38,105.00
3/01/2004	38,105.00	-	-	38,105.00
6/01/2004	38,105.00	-	-	38,105.00
9/01/2004	38,105.00	-	-	38,105.00
12/01/2004	38,105.00	-	-	38,105.00
3/01/2005	38,105.00	-	-	38,105.00
6/01/2005	38,105.00	-	-	38,105.00
9/01/2005	38,105.00	-	-	38,105.00
12/01/2005	38,105.00	-	-	38,105.00
3/01/2006	38,105.00	-	-	38,105.00
6/01/2006	38,105.00	-	-	38,105.00
9/01/2006	38,105.00	-	-	38,105.00
12/01/2006	38,105.00	-	-	38,105.00

FLATWOODS CANOE RUN PSD

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2007	38,105.00	-	-	38,105.00
6/01/2007	38,105.00	-	-	38,105.00
9/01/2007	38,105.00	-	-	38,105.00
12/01/2007	38,105.00	-	-	38,105.00
3/01/2008	38,105.00	-	-	38,105.00
6/01/2008	38,105.00	-	-	38,105.00
9/01/2008	38,105.00	-	-	38,105.00
12/01/2008	38,105.00	-	-	38,105.00
3/01/2009	38,105.00	-	-	38,105.00
6/01/2009	38,105.00	-	-	38,105.00
9/01/2009	38,105.00	-	-	38,105.00
12/01/2009	38,105.00	-	-	38,105.00
3/01/2010	38,105.00	-	-	38,105.00
6/01/2010	38,105.00	-	-	38,105.00
9/01/2010	38,105.00	-	-	38,105.00
12/01/2010	38,105.00	-	-	38,105.00
3/01/2011	38,105.00	-	-	38,105.00
6/01/2011	38,105.00	-	-	38,105.00
9/01/2011	38,105.00	-	-	38,105.00
12/01/2011	38,105.00	-	-	38,105.00
3/01/2012	38,105.00	-	-	38,105.00
6/01/2012	38,105.00	-	-	38,105.00
9/01/2012	38,105.00	-	-	38,105.00
12/01/2012	38,105.00	-	-	38,105.00
3/01/2013	38,105.00	-	-	38,105.00
6/01/2013	38,105.00	-	-	38,105.00
9/01/2013	38,105.00	-	-	38,105.00
12/01/2013	38,105.00	-	-	38,105.00
3/01/2014	38,105.00	-	-	38,105.00
6/01/2014	38,105.00	-	-	38,105.00
9/01/2014	38,105.00	-	-	38,105.00
12/01/2014	38,105.00	-	-	38,105.00
TOTAL	2,896,000.00	-	-	2,896,000.00

YIELD STATISTICS

Accrued Interest from 12/01/1995 to 12/01/1995...	-
Average Life.....	9.625 YEARS
Bond Years.....	27,873.86
Average Coupon.....	-
Bond Yield for Arbitrage Purposes.....	-
True Interest Cost (TIC).....	-
Effective Interest Cost (EIC).....	-

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

SEWER REVENUE BONDS, SERIES 1997
(WEST VIRGINIA SRF PROGRAM)
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION

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FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM 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 $400,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN $400,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF 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 22 C, Article 2 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 sewerage system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewerage system of the Issuer, consisting of a sewer line extension to serve the Weyerhaeuser facility located within the Issuer's boundaries at or near the Community of Heaters, Braxton County, and to serve approximately 145 new residential customers at Flatwoods, Braxton County, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (the existing public sewerage system, the Project and any further additions or improvements thereto or extensions thereof, 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 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 on the Series 1997 Bonds and the Prior Bonds and to make payments into all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. The Issuer intends to finance such costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund program (the "SRF Program"), pursuant to the Act, in order to take advantage of the favorable terms available to the Issuer under the SRF Program.

E. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), in the total aggregate principal amount of not more than $400,000, to be initially represented by a single bond (the "Series 1997 Bonds"), to permanently finance the costs of acquisition and construction of the Project, and (at the option of the Issuer) to issue its sewerage system bond anticipation notes prior to issuance of the Series 1997 Bonds or contemporaneously therewith, or as soon as practicable thereafter, to issue its sewerage system grant anticipation notes, and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than $400,000 to temporarily finance 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 upon the Notes during the term thereof and upon the Series 1997 Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1997 Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1997 Bonds and/or the Notes 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, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1997 Bonds or the Notes 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 20 years.

G. It is in the best interests of the Issuer that its Series 1997 Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") entered or to be entered into by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP, approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank either on parity with or junior and subordinate to the Series 1997 Bonds as to liens, pledge and source of and security for payment, which obligations are designated and have the lien positions, as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938 (the "Series 1990 A Bonds")	First Lien

Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000 (the "Series 1990 C Bonds")	First Lien
Sewer Revenue Bonds, Series 1991A, dated November 15, 1991, issued in the original aggregate principal amount of $275,806 (the "Series 1991A Bonds")	First Lien
Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000 (the "Series 1994 Bonds")	First Lien
Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842 (the "Series 1990 B Bonds")	Second Lien
Sewer Revenue Bonds, Series 1991B, dated November 15, 1991, issued in the original aggregate principal amount of $9,194 (the "Series 1991B Bonds")	Second Lien

The Series 1990 A Bonds, the Series 1990 C Bonds, the Series 1991A Bonds and the Series 1994 Bonds are hereinafter collectively called the "First Lien Bonds," and the Series 1990 B Bonds and the Series 1991B Bonds are hereinafter collectively called the "Second Lien Bonds." The First Lien Bonds and the Second Lien Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1997 Bonds shall be issued on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment, and in all other respects. The Issuer has met the requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds. The Issuer has obtained the consent of the Holders of the First Lien Bonds to the issuance of the Series 1997 Bonds on a parity with the First Lien Bonds and the consent of the Holders of the Second Lien Bonds to the issuance of the Series 1997 Bonds on a senior and prior basis to the Second Lien Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues of assets of the System.

The grant anticipation notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues, certain proceeds of such grant anticipation notes and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such grant anticipation notes. The bond anticipation notes, if issued, will be payable from the proceeds of the Series 1997 Bonds, certain proceeds of such bond anticipation notes and the Net Revenues, if necessary and if available, all as shall be set forth in the Indenture and/or the Supplemental Resolution authorizing the Notes or such bond anticipation notes.

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 the issuance of the Series 1997 Bonds and the Notes, 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 1997 Bonds or any of the Notes 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 West Virginia Infrastructure and Jobs Development Council pursuant to 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 1997 Bonds and the Notes by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such 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 1997 Bonds and Notes, respectively, 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 and between any one Note of a series and any other Note 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 22C, Article 2 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 1997 Bonds,

or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

"Bonds" means, collectively, the Series 1997 Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder, and includes the Prior Bonds, whether such Prior Bonds are specifically referred to or not, unless the context otherwise requires.

"Bond Year" means each 1-year period (or shorter period from the date of issue of the Series 1997 Bonds) that ends at the close of business on October 1 of each calendar year, unless otherwise required under the Code.

"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 1997 Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1997 Bonds from the Authority and the DEP.

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"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 1.02E hereof to be a part of the cost of acquisition and construction of the Project.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment, or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means the bank or trust company 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.

"First Lien Bonds" means, collectively, the Series 1990 A Bonds, the Series 1990 C Bonds, the Series 1991A Bonds and the Series 1994 Bonds.

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

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

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

"Grant" means all moneys received by the Issuer on account of any Grant for the Project.

"Grant Agreement" means a written commitment for the payment of 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 after the date of issuance of any grant anticipation notes.

"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.

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

"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.

"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," "Borrower" or "District" means Flatwoods-Canoe Run Public Service District, a public service district and a public corporation 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 into or to be entered into by and among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1997 Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified and confirmed by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1997 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1997 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 1997 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 1997 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 Bonds.

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

"Notes" means, collectively, the not more than $400,000 in aggregate principal amount of sewerage system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in one or more Supplemental Resolutions, and unless the context clearly indicates otherwise, the terms "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture and/or the Supplemental Resolution pertaining to such Notes and its successors and assigns.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar, Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the Notes, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the

event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated (where applicable) and delivered, or all Notes theretofore and thereupon being authenticated and delivered, except (i) any Bond or Note cancelled by the Bond Registrar or Notes Registrar, at or prior to said date; (ii) any Bond or Note 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 or under the Indenture, as applicable, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Note deemed to have been paid as provided in Article X hereof or as provided in the Indenture, as applicable; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or Noteholders, any Bonds or Notes 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 1997 Bonds in the Supplemental Resolution with the written consent of the Authority and DEP, or the entity designated as such for the Notes in the Indenture or the Supplemental Resolution.

"Prior Bonds" means, collectively, the First Lien Bonds and the Second Lien Bonds, as defined herein.

"Prior Resolutions" means, collectively, the Resolution and the Supplemental Resolution of the Issuer adopted April 13, 1994, authorizing the Series 1994 Bonds, the Resolution and the Supplemental Resolution of the Issuer adopted November 14, 1991, authorizing the Series 1991A Bonds and the Series 1991B Bonds, and the Resolution and the Supplemental Resolution of the Issuer adopted November 14, 1990, authorizing the Series 1990 A Bonds, the Series 1990 B Bonds and the Series 1990 C 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 Project as described in Section 1.02B hereof.

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

(a) Government Obligations;

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

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

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

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

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

(g) Repurchase agreements or similar banking arrangements, fully secured by investments of the types described in paragraphs (a) through (e) above or fully insured by the FDIC, with member banks of the Federal Reserve system or 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, including, without limitation, authorized pools of investments operated by such State Board of Investments; 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," "Noteholder," "Bondholder," "Holder" or any similar term means, whenever used herein with respect to an outstanding Bond, Note, Bonds or Notes, the person in whose name such Bond or Note is registered.

"Registrar" means, as appropriate, either the Bond Registrar or the Notes Registrar, or both.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by (or continued under) Section 5.01 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 1997 Bonds and the Prior Bonds.

"Revenue Fund" means the Revenue Fund established by (or continued under) Section 5.01 hereof.

"Second Lien Bonds" means, collectively, the Series 1990 B Bonds and the Series 1991B Bonds.

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

"Series 1990 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 A, dated November 14, 1990, issued in the original aggregate principal amount of $1,147,938.

"Series 1990 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 B, dated November 14, 1990, issued in the original aggregate principal amount of $51,842.

"Series 1990 C Bonds" means the Issuer's Sewer Revenue Bonds, Series 1990 C, dated November 14, 1990, issued in the original aggregate principal amount of $1,118,000.

"Series 1991A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991A, dated November 15, 1991, issued in the original aggregate principal amount of $275,806.

"Series 1991B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1991B, dated November 15, 1991, issued in the original aggregate principal amount of $9,194.

"Series 1994 Bonds" means the Issuer's Sewer Revenue Bonds, Series 1994 (West Virginia SRF Program), dated April 26, 1994, issued in the original aggregate principal amount of $2,896,000.

"Series 1997 Bonds" means the not more than $400,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 1997 Bonds Reserve Account" means the Series 1997 Bonds Reserve Account established in the Series 1997 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1997 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1997 Bonds in the then current or any succeeding year.

"Series 1997 Bonds Sinking Fund" means the Series 1997 Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Series 1997 Bonds and the Prior Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid under the Loan Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds from the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"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 any or all of the Notes or the sale of the Series 1997 Bonds, as the case may be; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Notes or the Series 1997 Bonds, as the case may be, 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 (including, without limitation, the Prior Bonds) or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the Reserve Accounts.

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

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter 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 $2,590,000, 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 Notes and the Series 1997 Bonds hereby authorized shall be applied as provided in the Indenture, if any, and Article VI hereof, respectively. 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 SRF Program.

The cost of the Project is estimated to be $2,590,000, of which approximately $26,000 will be from a grant by the DEP, approximately $576,000 will be from a grant by the United State Department of Agriculture, Rural Utilities Service, approximately $750,000 will be from a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), approximately $838,000 will be from a grant by the Appalachian Regional Commission, and approximately $400,000 will be from proceeds of the Series 1997 Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 Bonds, funding a reserve account for the Series 1997 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1997 Bonds and related costs, or any one or more of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1997 Bonds of the Issuer. The Series 1997 Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program)," in an aggregate principal amount of not more than $400,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the grant anticipation notes, if any. The proceeds of the Series 1997 Bonds remaining after funding of the Series 1997 Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 1997 Bonds, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1997 Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America.

Unless otherwise provided by the Supplemental Resolution or herein, the Series 1997 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached thereto, representing the aggregate principal amount of the Series 1997 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1997 Bonds shall be exchangeable at the option and expense of the Holder for another fully registered Series 1997 Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Series 1997 Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Series 1997 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 1997 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 1997 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1997 Bonds shall cease to be such officer of the Issuer before the Series 1997 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1997 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of the Series 1997 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that the Series 1997 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 1997 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Series 1997 Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in

writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any of the Series 1997 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 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 1997 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account. No holder or holders of the Series 1997 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to the Prior Bonds. The payment of the debt service of all the Series 1997 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor

of the Holders of the First Lien Bonds, and senior and prior to the lien on the Net Revenues in favor of the Holders of the Second Lien Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1997 Bonds and the Prior Bonds and to make all other payments provided for in this 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 1997 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1997 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1997 Bonds to the original purchasers;

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

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1997 Bonds.

Section 3.10. Form of Bonds. The text of the Series 1997 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1997
(WEST VIRGINIA SRF PROGRAM)

No. R-____ $_____

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, without interest. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) 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").

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 Division of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated _____, 199____, by and among the Issuer, the Authority and the DEP.

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 sewerage system 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 sewerage system of the Issuer, the Project and any further additions, extensions or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2, of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 1997, and a Supplemental Resolution duly adopted by the Issuer on _____, 1997 (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 FOLLOWING OUTSTANDING BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(ii) SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS");

(iii) SEWER REVENUE BONDS, SERIES 1991A, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991A BONDS"); AND

(iv) SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), DATED APRIL 26, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,896,000 (THE "SERIES 1994 BONDS").

THE SERIES 1990 A BONDS, THE SERIES 1990 C BONDS, THE SERIES 1991A BONDS AND THE SERIES 1994 BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "FIRST LIEN BONDS".

THIS BOND IS ISSUED SENIOR AND PRIOR, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, TO THE FOLLOWING OUTSTANDING BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1991B, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991B BONDS").

THE SERIES 1990 B BONDS AND THE SERIES 1991B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "SECOND LIEN BONDS". THE FIRST LIEN BONDS AND THE SECOND LIEN BONDS ARE HEREINAFTER COLLECTIVELY CALLED 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 the Net Revenues in favor of the holders of the First Lien Bonds and senior and prior to the pledge of the Net Revenues in favor of the holders of the Second Lien Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1997 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Bonds, including, without limitation, the Prior Bonds; provided, however, that so long as there exists in the Series 1997 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, 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 prior to or on a parity with or junior to the Bonds, including, without limitation, 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 One Valley Bank, National Association, 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 the payment of the costs of the Project and costs of issuance 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 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 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 _____, 199___.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199___.

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its 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 1997 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit 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 A" Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Series 1997 Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $400,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 1997 Bonds or the Net Revenues (if issued in the form of bond anticipation notes) or the Grant Receipts, the Surplus Revenues and letter of credit proceeds (if issued in the form of grant anticipation notes) and from other sources described in the Indenture and/or a supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $400,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

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 and established (or continued if previously created and established by the Prior Resolutions) with and shall be held by the Depository Bank separate, distinct and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (created by the Prior Resolutions);

(2) Renewal and Replacement Fund (created by the Prior Resolutions); and

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created and established (or continued if previously created and established by the Prior Resolutions) with and shall be held by the Commission separate, distinct and apart from all other funds or accounts of the Commission and the Issuer and from each other:

(1) Series 1990 A Bonds Sinking Fund (created by the Prior Resolutions);

(a) Within the Series 1990 A Bonds Sinking Fund, the Series 1990 A Bonds Reserve Account (created by the Prior Resolutions);

(2) Series 1990 B Bonds Sinking Fund (created by the Prior Resolutions);

(a) Within the Series 1990 B Bonds Sinking Fund, the Series 1990 B Bonds Reserve Account (created by the Prior Resolutions);

(3) Series 1990 C Bonds Reserve Account (created by the Prior Resolutions);

(4) Series 1991A Bonds Sinking Fund (created by the Prior Resolutions);

(a) Within the Series 1991A Bonds Sinking Fund, the Series 1991A Bonds Reserve Account (created by the Prior Resolutions);

(5) Series 1991B Bonds Sinking Fund (created by the Prior Resolutions);

(a) Within the Series 1991B Bonds Sinking Fund, the Series 1991B Bonds Reserve Account (created by the Prior Resolutions);

(6) Series 1994 Bonds Sinking Fund (created by the Prior Resolutions);

(a) Within the Series 1994 Bonds Sinking Fund, the Series 1994 Bonds Reserve Account (created by the Prior Resolutions);

(7) Series 1997 Bonds Sinking Fund;

(a) Within the Series 1997 Bonds Sinking Fund, the Series 1997 Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and in the Prior Resolutions 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 and in the Prior Resolutions provided.

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System.

(2) The Issuer shall next, (i) each month, on or before the due date of payment of each installment on the Series 1990 C Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1990 C Bonds (or such other place as may be subsequently provided pursuant to the Series 1990 C Bonds), the amount required by the Prior Resolutions to pay the interest on the Series 1990 C Bonds, and to amortize the principal of the Series 1990 C Bonds over the life of such Bond issue, and on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1990 A Bonds Sinking Fund, the Series 1991A Bonds Sinking Fund and the Series 1994 Bonds Sinking Fund, the amounts required by the Prior Resolutions for payment of the interest, if any, on and principal of the Series 1990 A Bonds, the Series 1991A Bonds the Series 1994 Bonds, respectively, and (ii) simultaneously with the transfers set forth in Subsection 5.03A(2)(i), on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Series 1997 Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 Bonds Sinking Fund, a sum equal to 1/3rd of the

amount of principal which will mature and become due on the Series 1997 Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 Bonds Sinking Fund and the next annual principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, simultaneously with the transfers set forth in Subsection 5.03A(2)(i) above, (i) transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1990 A Bonds Reserve Account, the Series 1990 C Bonds Reserve Account, the Series 1991A Bonds Reserve Account and the Series 1994 Bonds Reserve Account the amounts required by the Prior Resolutions, and (ii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1997 Bonds, if not fully funded upon issuance of the Series 1997 Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 Bonds Reserve Account, an amount equal to 1/120 of the Series 1997 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1997 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1997 Bonds Reserve Requirement.

(4) The Issuer shall next, on the first day of each month, from the moneys remaining in the Revenue Fund (as previously set forth in the Prior Resolutions but not in addition thereto), transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the Series 1990 B Bonds Sinking Fund and the Series 1991B Bonds Sinking Fund the amounts required by the Prior Resolutions for payment of

principal of the Series 1990 B Bonds and the Series 1991B Bonds, respectively.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission for deposit in the Series 1990 B Bonds Reserve Account and the Series 1991B Bonds Reserve Account, the amounts required by the Prior Resolution.

Moneys in the Series 1997 Bonds Sinking Fund shall be used only for purposes of paying principal of and interest, if any, on the Series 1997 Bonds as the same shall become due. Moneys in the Series 1997 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1997 Bonds, as the same shall come due, when other moneys in the Series 1997 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1997 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 Bonds Reserve Account which result in a reduction in the balance of the Series 1997 Bonds Reserve Account to below the Series 1997 Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments set forth in Subsection 5.03A(2) hereof have been made in full for payment of debt service on the Series 1990 A Bonds, the Series 1990 C Bonds, the Series 1991A Bonds, the Series 1994 Bonds and the Series 1997 Bonds.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in 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 1997 Bonds Sinking Fund or into the Series 1997 Bonds Reserve Account therein, when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1997 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal and interest payments, and any payments made for the purpose of funding any Reserve Account, whether for a deficiency or otherwise, shall be made on a parity basis and pro rata, with respect to the Series 1990 A Bonds, the Series 1990 C Bonds, the Series 1991A Bonds, the Series 1994 Bonds and the Series 1997 Bonds in accordance with the respective principal amounts then Outstanding, and thereafter shall be made on a parity and pro rata with respect to the Series 1990 B Bonds and Series 1991B Bonds in accordance with the respective principal amounts then Outstanding, if any such principal or interest payment or Reserve Account payment is to be made in less than the full amount then called for herein or in the Prior Resolutions.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

Moneys in the Series 1997 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1997 Bonds Sinking Fund, including the Series 1997 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions and in the priority hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in 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, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

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 interest, principal and reserve payments with respect to the Series 1997 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. The Issuer shall also 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 SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement as Exhibit F, 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.

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.

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

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 the Completion Date, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

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 1997 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 Bonds, there shall first be deposited with the Commission in the Series 1997 Bonds Sinking Fund, the amount, if any, 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 1997 Bonds for the period commencing on the date of issuance of the Series 1997 Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1997 Bonds, there shall be deposited with the Commission in the Series 1997 Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 1997 Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1997 Bonds, such moneys shall be deposited upon receipt with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

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 1997 Bonds shall be used to fund the Series 1997 Bonds Reserve Account, if not funded upon issuance of the Series 1997 Bonds, in an amount not to exceed the Series 1997 Bonds Reserve Requirement; provided that, in no event shall more than 10% of the proceeds of the Series 1997 Bonds be deposited in the Series 1997 Bonds Reserve Account.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so expended are hereby pledged as additional security for the Series 1997 Bonds. In the event that Notes are issued, the disposition of funds

in the Bonds Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority and the DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Series 1997 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, 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 Series 1997 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1997 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the grant anticipation notes or any line of credit evidenced by such grant anticipation notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Series 1997 Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1997 Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 Bonds or Notes or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of all the Series 1997 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the First Lien Bonds, and senior and prior to the lien on the Net Revenues in favor of the Holders of the Second Lien Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest and other payments on the Series 1997 Bonds and the Prior Bonds and to make the 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 Order of the Public Service Commission of West Virginia entered November 27, 1996 (Case No. 96-1267-PSD-42T), 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 Resolutions. Additionally, so long as the Series 1997 Bonds are outstanding and except as otherwise required by law and with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1997 Bonds, immediately be remitted to the Commission for deposit in the Series 1997 Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1997 Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

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

bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the respective 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. 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 Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to any or all of the Notes issued under the Indenture and/or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture (if an Indenture is used) and the Bond Legislation; and, so long as the Series 1997 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from any or all of the revenues of the System which rank prior to, or, except in the manner and under the conditions provided herein, equally, as to lien on and source of and security for payment from such revenues with the Series 1997 Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 Bonds and payable from any or all of the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1997 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by the Prior Resolutions and 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 1997 Bonds, and the interest, if any, thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1997 Bonds and the interest, if any, thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the DEP 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 Resolutions shall be applicable. In addition, no Parity Bonds, payable out of any or all of the revenues of the System, shall be issued after the issuance of the Series 1997 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided (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 1997 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions and improvements to the System or refunding the Series 1997 Bonds issued pursuant hereto, or both such purposes.

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate

of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

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

No Parity Bonds shall be valid unless authenticated pursuant to Section 3.04. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.09 with respect to the Series 1997 Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1997 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 1997 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation 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 Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, 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 DEP 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 DEP, 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 will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds or of a Note or Notes issued pursuant to this Bond Legislation and/or the Indenture or the Trustee shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the 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, the Trustee, the DEP and the Authority, or any other original purchaser of the Series 1997 Bonds, and shall mail in each year to any Holder or Holders of Bonds or Notes, as the case may be, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, 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 Indenture with respect to said Bonds or Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds or Notes, as the case may be, and shall submit said report to the Trustee, the DEP and the Authority, or any other original purchaser of the Series 1997 Bonds. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement, the Act 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 or the DEP, 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 DEP, 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 DEP with respect to the System pursuant to the Act.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

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

funds created (or, where appropriate, continued) hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1997 Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Series 1997 Bonds Reserve Requirement are on deposit in the Series 1997 Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with or junior to the Series 1997 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1997 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget; Audit and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP 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 Trustee, the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation, the Act and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Commencing on the Closing Date and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit B, and forward a copy of such report to the Authority by the 10th 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 DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP 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 DEP 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 DEP 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 require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement.

The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

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 and any services and facilities of the water 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 or, if the waterworks facilities are not owned by the Issuer, the Issuer will use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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, or any part thereof, 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 Series 1997 Bonds or any of the Notes remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $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 System facilities are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

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

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

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

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

Section 7.17. Completion 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 West Virginia Public Service Commission 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 1997 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 1997 Bonds during the term thereof is, under the terms of the Series 1997 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 1997 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 1997 Bonds during the term thereof is, under the terms of the Series 1997 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 1997 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 1997 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 1997 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 1997 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 1997 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 1997 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 1997 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1997 Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and senior and prior to the statutory mortgage lien in favor of the Holders of the Second Lien 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 DEP 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 DEP or other federal, State 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 (17CFR Part 240).

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 or the Indenture, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Trustee, if any, 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, and the Indenture, if any, the need for such moneys for the purposes set forth herein and in the Indenture, if any, and the specific restrictions and provisions set forth in this Section 8.01 and in the Indenture.

Except as provided in the Indenture, if any, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Trustee, if any, 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 Trustee, if any, 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 Trustee, if any, and 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 comply with the Code and to assure the exclusion of interest on the Series 1997 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 Bonds which would cause any of the Series 1997 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 1997 Bonds) so that the interest on the Series 1997 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 1997 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1997 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 1997 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 1997 Bonds. In the event of a failure to pay any such amount or amounts, the Issuer will pay, from any lawful sources available therefor, to the United States an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, 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 1997 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. A. Each of the following events shall constitute an "Event of Default" with respect to the Notes:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

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

B. 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 the 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 Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

(4) If default occurs with respect to the First Lien Bonds or the resolutions authorizing the First Lien Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, 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 Notes or Bonds, as the case may be, (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 Notes or Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or Bonds, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy available to the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1997 Bonds shall be on a parity with the Holders of the First Lien Bonds, and senior and prior to the Holders of the Second Lien 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, 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 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 said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1997 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1997 Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1997 Bonds from gross income for federal income tax purposes.

Series 1997 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1997 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1997 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1997 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture and/or the Supplemental Resolution pertaining to such Notes, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes 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 1997 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or 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 Notes or the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds or Notes, respectively, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1997 Bonds and the Notes, if any, 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 Notes, 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, the Indenture, if any, the Series 1997 Bonds or the Notes, if any.

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 Resolutions. All orders and resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that this Section shall not be

applicable to the Prior Resolutions or the Loan Resolution (Form FmHA 442-47) relative to the Series 1990 C Bonds, and the Prior Resolutions shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions, 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. Unless determined to be inapplicable to the Series 1997 Bonds, 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 respective maximum amounts of the Series 1997 Bonds and the Notes to be issued;

(b) The respective maximum interest rates and terms of the Series 1997 Bonds and the Notes originally authorized hereby;

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

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

(e) The date that the formal application for a Certificate of 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 10th day of February, 1997.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT on the 10th day of February, 1997.

Dated: February 11, 1997.

[SEAL]

Secretary, Public Service Board

01/03/96
FCRSJM.A5
292120/96001

FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 1997
(West Virginia SRF Program)

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 SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), OF FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT; RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A 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 and notes resolution, effective February 10, 1997 (the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM 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 $400,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1997 (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN $400,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF

A TRUST INDENTURE SECURING THE NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND AUTHORIZING OR RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES 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 Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program) (the "Bonds" or the "Series 1997 Bonds"), of the Issuer, in an aggregate principal amount not to exceed $400,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds dated December 20, 1996 (the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection (the "DEP"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 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 and 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 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 Sewer Revenue Bonds, Series 1997 (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of $400,000. The Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2018, and shall bear no interest. The principal of the Bonds is payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1998, and ending March 1, 2018, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, 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 Bonds. The Issuer does hereby approve and shall pay the administrative fee equal to 1% of the principal amount of the Series 1997 Bonds set forth in "Schedule Y" attached to the Loan Agreement.

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 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 DEP 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 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 direct 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 Home National Bank, Sutton, West Virginia, to serve as Depository Bank under the Resolution.

Section 7. Series 1997 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1997 Bonds Sinking Fund as capitalized interest.

Section 8. Series 1997 Bonds proceeds in the amount of $20,000 shall be deposited in the Series 1997 Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 1997 Bonds shall be deposited in the Bond Construction Trust Fund as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Series 1997 Bonds.

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 Series 1997 Bonds hereby and by the Resolution approved and provided for, to the end that the Series 1997 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about February 11, 1997.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Series 1997 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. 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 Series 1997 Bonds Sinking Fund and the Series 1997 Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. The Issuer shall not permit at any time or times any of the proceeds of the Series 1997 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 Series 1997 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 14. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of February, 1997.

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 10th day of February, 1997.

Dated: February 11, 1997.

[SEAL]

Secretary, Public Service Board

01/03/96
FCRSJM.B4
292120/96001

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
FLATWOODS-CANOE RUN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 1997
(WEST VIRGINIA SRF PROGRAM)

No. R-1 $400,000

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 FOUR HUNDRED THOUSAND DOLLARS ($400,000), 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 June 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, without interest. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1998, 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").

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 Division of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated December 20, 1996, by and among the Issuer, the Authority and the DEP.

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 sewerage system 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 sewerage system of the Issuer, the Project and any further additions, extensions or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2, of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on February 10, 1997, and a Supplemental Resolution duly adopted by the Issuer on February 10, 1997 (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 FOLLOWING OUTSTANDING BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1990 A, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,147,938 (THE "SERIES 1990 A BONDS");

(ii) SEWER REVENUE BONDS, SERIES 1990 C, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,118,000 (THE "SERIES 1990 C BONDS");

(iii) SEWER REVENUE BONDS, SERIES 1991A, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $275,806 (THE "SERIES 1991A BONDS"); AND

(iv) SEWER REVENUE BONDS, SERIES 1994 (WEST VIRGINIA SRF PROGRAM), DATED APRIL 26, 1994, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,896,000 (THE "SERIES 1994 BONDS").

THE SERIES 1990 A BONDS, THE SERIES 1990 C BONDS, THE SERIES 1991A BONDS AND THE SERIES 1994 BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "FIRST LIEN BONDS".

THIS BOND IS ISSUED SENIOR AND PRIOR, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, TO THE FOLLOWING OUTSTANDING BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1990 B, DATED NOVEMBER 14, 1990, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $51,842 (THE "SERIES 1990 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1991B, DATED NOVEMBER 15, 1991, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $9,194 (THE "SERIES 1991B BONDS").

THE SERIES 1990 B BONDS AND THE SERIES 1991B BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "SECOND LIEN BONDS". THE FIRST LIEN BONDS AND THE SECOND LIEN BONDS ARE HEREINAFTER COLLECTIVELY CALLED 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 the Net Revenues in favor of the holders of the First Lien Bonds and senior and prior to the pledge of the Net Revenues in favor of the holders of the Second Lien Bonds, moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1997 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Bonds, including, without limitation, the Prior Bonds; provided, however, that so long as there exists in the Series 1997 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, 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 prior to or on a parity with or junior to the Bonds, including, without limitation, 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 One Valley Bank, National Association, 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 the payment of the costs of the Project and costs of issuance 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 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 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 February 11, 1997.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: February 11, 1997.

ONE VALLEY BANK, NATIONAL ASSOCIATION, as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$34,000	2-11-97	(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

Flatwoods Canoe Run
$400,000.00
0% interest rate, 1% annual fee

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/1998	-	-	-	-
6/01/1998	5,000.00	-	-	5,000.00
9/01/1998	5,000.00	-	-	5,000.00
12/01/1998	5,000.00	-	-	5,000.00
3/01/1999	5,000.00	-	-	5,000.00
6/01/1999	5,000.00	-	-	5,000.00
9/01/1999	5,000.00	-	-	5,000.00
12/01/1999	5,000.00	-	-	5,000.00
3/01/2000	5,000.00	-	-	5,000.00
6/01/2000	5,000.00	-	-	5,000.00
9/01/2000	5,000.00	-	-	5,000.00
12/01/2000	5,000.00	-	-	5,000.00
3/01/2001	5,000.00	-	-	5,000.00
6/01/2001	5,000.00	-	-	5,000.00
9/01/2001	5,000.00	-	-	5,000.00
12/01/2001	5,000.00	-	-	5,000.00
3/01/2002	5,000.00	-	-	5,000.00
6/01/2002	5,000.00	-	-	5,000.00
9/01/2002	5,000.00	-	-	5,000.00
12/01/2002	5,000.00	-	-	5,000.00
3/01/2003	5,000.00	-	-	5,000.00
6/01/2003	5,000.00	-	-	5,000.00
9/01/2003	5,000.00	-	-	5,000.00
12/01/2003	5,000.00	-	-	5,000.00
3/01/2004	5,000.00	-	-	5,000.00
6/01/2004	5,000.00	-	-	5,000.00
9/01/2004	5,000.00	-	-	5,000.00
12/01/2004	5,000.00	-	-	5,000.00
3/01/2005	5,000.00	-	-	5,000.00
6/01/2005	5,000.00	-	-	5,000.00
9/01/2005	5,000.00	-	-	5,000.00
12/01/2005	5,000.00	-	-	5,000.00
3/01/2006	5,000.00	-	-	5,000.00
6/01/2006	5,000.00	-	-	5,000.00
9/01/2006	5,000.00	-	-	5,000.00
12/01/2006	5,000.00	-	-	5,000.00
3/01/2007	5,000.00	-	-	5,000.00
6/01/2007	5,000.00	-	-	5,000.00
9/01/2007	5,000.00	-	-	5,000.00
12/01/2007	5,000.00	-	-	5,000.00
3/01/2008	5,000.00	-	-	5,000.00
6/01/2008	5,000.00	-	-	5,000.00
9/01/2008	5,000.00	-	-	5,000.00
12/01/2008	5,000.00	-	-	5,000.00
3/01/2009	5,000.00	-	-	5,000.00
6/01/2009	5,000.00	-	-	5,000.00
9/01/2009	5,000.00	-	-	5,000.00
12/01/2009	5,000.00	-	-	5,000.00
3/01/2010	5,000.00	-	-	5,000.00
6/01/2010	5,000.00	-	-	5,000.00

Flatwoods Canoe Run
$400,000.00
0% interest rate, 1% annual fee

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/2010	5,000.00	-	-	5,000.00
12/01/2010	5,000.00	-	-	5,000.00
3/01/2011	5,000.00	-	-	5,000.00
6/01/2011	5,000.00	-	-	5,000.00
9/01/2011	5,000.00	-	-	5,000.00
12/01/2011	5,000.00	-	-	5,000.00
3/01/2012	5,000.00	-	-	5,000.00
6/01/2012	5,000.00	-	-	5,000.00
9/01/2012	5,000.00	-	-	5,000.00
12/01/2012	5,000.00	-	-	5,000.00
3/01/2013	5,000.00	-	-	5,000.00
6/01/2013	5,000.00	-	-	5,000.00
9/01/2013	5,000.00	-	-	5,000.00
12/01/2013	5,000.00	-	-	5,000.00
3/01/2014	5,000.00	-	-	5,000.00
6/01/2014	5,000.00	-	-	5,000.00
9/01/2014	5,000.00	-	-	5,000.00
12/01/2014	5,000.00	-	-	5,000.00
3/01/2015	5,000.00	-	-	5,000.00
6/01/2015	5,000.00	-	-	5,000.00
9/01/2015	5,000.00	-	-	5,000.00
12/01/2015	5,000.00	-	-	5,000.00
3/01/2016	5,000.00	-	-	5,000.00
6/01/2016	5,000.00	-	-	5,000.00
9/01/2016	5,000.00	-	-	5,000.00
12/01/2016	5,000.00	-	-	5,000.00
3/01/2017	5,000.00	-	-	5,000.00
6/01/2017	5,000.00	-	-	5,000.00
9/01/2017	5,000.00	-	-	5,000.00
12/01/2017	5,000.00	-	-	5,000.00
3/01/2018	5,000.00	-	-	5,000.00
TOTAL	400,000.00	-	-	400,000.00 *

*Plus one-percent annual administrative fee paid quarterly in the amount of $506.25. The total administrative fee over the life of the loan is $40,500.

YIELD STATISTICS

Accrued Interest from 03/01/1998 to 03/01/1998...	-
Average Life.....	10.125 YEARS
Bond Years.....	4,050.00
Average Coupon.....	-
Bond Yield for Arbitrage Purposes.....	1.0012500%
True Interest Cost (TIC).....	-
Effective Interest Cost (EIC).....	1.0012500%

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:

_____