JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
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JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM) AND SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $599,089 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN $662,039 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation"), supplemental to the Prior Resolutions (as hereinafter defined), is adopted pursuant to the provisions of Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. Jefferson County Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Jefferson 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 certain improvements and extensions to the existing public sewerage facilities of the Issuer, consisting of upgrading the Walnut Grove subdivision sewage collection system and extensions to the Breckenridge, Cambridge and Briar Run subdivisions, 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 sewerage 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 intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Water Pollution Control Revolving Fund and the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $1,261,128 in two series (collectively, the "Series 1998 Bonds"), being the Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), in the aggregate principal amount of not more than $599,089 (the "Series 1998 B Bonds"), and the Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $662,039 (the "Series 1998 C Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 1998 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, 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 1998 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1998 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 1998 B Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement 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"), and its Series 1998 C Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), both loan agreements in form satisfactory to the respective parties (collectively, the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 1998 Bonds as to liens, pledge and source of and security for payment, being the (1) Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of $425,767 (the "Series 1988 B Bonds"); (2) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of $971,000 (the "Series 1993 A Bonds"); and (3) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of $2,430,000 (the "Series 1998 A Bonds"). The Series 1988 B Bonds, the Series 1993 A Bonds and the Series 1998 A Bonds are hereinafter collectively referred to as the "Prior Bonds."

The Series 1998 Bonds shall be issued on a parity with each other and with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer is in compliance with all the covenants of the Prior Resolutions. Prior to the issuance of the Series 1998 Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the parity test of the Prior Bonds is met and the written consent of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds to the issuance of the Series 1998 Bonds on a parity with the Series 1988 B Bonds and the Series 1993 A Bonds. The Issuer is not required to obtain the consent of the Holders of the Series 1998 A 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 will be issuing its Sewerage System Construction Notes, Series 1998 (West Virginia Housing Development Fund) (the "Notes"), simultaneously with the issuance of the Series 1998 Bonds. The Notes shall be issued junior and subordinate to the Series 1998 Bonds and the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Notes shall not be payable from or secured by Net Revenues, but shall be payable from and secured by a first lien on (i) the proceeds of any grants or other financial assistance to be received by the Issuer for the System, (ii) the proceeds of any revenue bonds, refunding bonds or other obligations of the

Issuer, issued subsequent to the issuance of the Notes to permanently finance the cost of acquisition and construction of the Project (but not the proceeds of the Series 1998 Bonds), (iii) Surplus Revenues, if any, derived from the operation of the System, and (iv) the LOC (as hereinafter defined).

H. The estimated revenues to be derived in each year following completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest on the Series 1998 Bonds and the Prior Bonds, and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1998 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1998 Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been approved by the Council pursuant to Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

K. Prior to the issuance of the Series 1998 Bonds, the Issuer shall enter into alternate mainline extension agreements with the developers of the Breckenridge, Cambridge and Briar Run subdivisions.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1998 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1998 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1998 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 1998 Bonds, the Prior Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 1998 Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1998 Bonds from the Authority.

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

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

"Consulting Engineers" means Pentree Incorporated, Princeton, 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.

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

"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 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.

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

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

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

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

"Loan Agreement" means, collectively, the respective Loan Agreements heretofore entered, or to be entered, into by and among the Issuer, the Authority and the DEP, providing for the purchase of the Series 1998 B Bonds from the Issuer by the Authority, and by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 1998 C 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.

"LOC" means, collectively, the letters of credit or other surety acceptable to the HDF obtained by the developers of the Walnut Grove, Breckenridge, Cambridge and Briar Run subdivisions.

"Net Proceeds" means the face amount of the Series 1998 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1998 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 Bonds.

"Notes" means the Sewerage System Construction Notes, Series 1998 (West Virginia Housing Development Fund), of the Issuer, to be issued simultaneously with the Series 1998 Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 1998 Bonds in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Sewer Revenue Bonds, Series 1988 B, Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), and Sewer Refunding Revenue Bonds, Series 1998 A, of the Issuer, described in Section 1.02G hereof.

"Prior Resolutions" means, collectively, the respective resolutions and supplemental resolutions of the Issuer duly adopted May 2, 1988, November 5, 1993, and February 26, 1998, authorizing the Prior Bonds.

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

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

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 1998 Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts of the Series 1998 Bonds and the Prior Bonds.

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

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

"Series 1998 B Bonds" means the Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), of the Issuer, authorized by this Resolution.

"Series 1998 B Bonds Construction Trust Fund" means the Series 1998 B Bond Construction Trust Fund established by Section 5.01 hereof.

"Series 1998 B Bonds Reserve Account" means the Series 1998 B Bonds Reserve Account established in the Series 1998 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 B Bonds in the then current or any succeeding year.

"Series 1998 B Bonds Sinking Fund" means the Series 1998 B Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1998 C Bonds" means the Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1998 C Bonds Construction Trust Fund" means the Series 1998 C Bond Construction Trust Fund established by Section 5.01 hereof.

"Series 1998 C Bonds Reserve Account" means the Series 1998 C Bonds Reserve Account established in the Series 1998 C Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 C Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 C Bonds in the then current or any succeeding year.

"Series 1998 C Bonds Sinking Fund" means the Series 1998 C Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 1998 Bonds.

"SRF Administrative Fee" means any administrative fee required to be paid under the Loan Agreement for the Series 1998 B 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 1998 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1998 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the respective 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 the System from any sources whatsoever.

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

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of $2,351,199, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1998 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority, the DEP and the Council.

The cost of the Project is estimated to be $2,351,199, of which approximately $599,089 will be from proceeds of the Series 1998 B Bonds, approximately $662,039 will be from proceeds of the Series 1998 C Bonds, approximately $950,000 will be from proceeds of the Notes and approximately $140,071 will be from a grant from the Council.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1998 Bonds, funding a reserve account for the Series 1998 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1998 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1998 Bonds of the Issuer. The Series 1998 Bonds shall be issued in two series, each as a single bond, designated respectively as "Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program)," in the principal amount of not more than $599,089, and "Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund)," in the principal amount of not more than $662,039, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1998 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 1998 Bonds, if any, shall be deposited in or credited to the respective Bond Construction Trust Funds established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1998 Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1998 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1998 Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1998 Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of each series of the Series 1998 Bonds. The Series 1998 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal

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

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

Section 3.03. Execution of Bonds. The Series 1998 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1998 Bonds shall cease to be such officer of the Issuer before the Series 1998 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1998 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1998 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1998 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1998 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1998 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1998 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 1998 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1998 Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1998 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1998 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 1998 Bonds shall ever have the right to compel

the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 B Bonds and the Series 1998 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 with the lien on such Net Revenues in favor of the Holder of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1998 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1998 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1998 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1998 Bonds to the original purchasers;

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

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1998 Bonds.

Section 3.10. Form of Bonds. The text of the Series 1998 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 1998 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 1998 B
(WEST VIRGINIA SRF PROGRAM)

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with no 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 said EXHIBIT B.

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 Loan Agreement by and among the Issuer, the Authority and the DEP, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public 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 existing

public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REVENUE BONDS, SERIES 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS"); (2) SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $971,000 (THE "SERIES 1993 A BONDS"); (3) SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, DATED FEBRUARY 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,430,000 (THE "SERIES 1998 A BONDS") (THE SERIES 1988 B BONDS, THE SERIES 1993 A BONDS AND THE SERIES 1998 A BONDS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS"); AND (4) SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1998 C 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, WITH THE ISSUER'S SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1998 (WEST VIRGINIA HOUSING DEVELOPMENT FUND), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "NOTES").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1998 C Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, 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 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, if any, hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 C Bonds; provided however, that when the Series 1998 A Bonds are no longer outstanding and so long as there exists in the Series 1998 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form

and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 1998 C BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1998 C
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. CR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199____, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds")and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (1) SEWER REVENUE BONDS, SERIES 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS"); (2) SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $971,000 (THE "SERIES 1993 A BONDS"); (3) SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, DATED FEBRUARY 15 , 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,430,000 (THE "SERIES 1998 A BONDS") (THE SERIES 1988 B BONDS, THE SERIES 1993 A BONDS AND THE SERIES 1998 A BONDS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS"); AND (4) SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1998 B 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, WITH THE ISSUER'S SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1998 (WEST VIRGINIA HOUSING DEVELOPMENT FUND), DATED _____, 199__, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "NOTES").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1998 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 C 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 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 1998 C Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds; provided however, that when the Series 1998 A Bonds are no longer outstanding and so long as there exists in the Series 1998 C Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 C Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____
Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1998 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the respective Loan Agreements. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority, the DEP and the Council a schedule in substantially the form attached to the respective Loan Agreements, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) 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);

(3) Series 1998 B Bonds Construction Trust Fund; and

(4) Series 1998 C Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with (or continued if previously established by the Prior Resolutions) 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 1988 B Bonds Sinking Fund (established by the Prior Resolutions);

(2) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account (established by the Prior Resolutions);

(3) Series 1993 A Bonds Sinking Fund (established by the Prior Resolutions);

(4) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account (established by the Prior Resolutions);

(5) Series 1998 A Bonds Sinking Fund (established by the Prior Resolutions);

(6) Within the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account and the Series 1998 A Bonds Redemption Account (established by the Prior Resolutions);

(7) Series 1998 B Bonds Sinking Fund;

(8) Within the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account;

(9) Series 1998 C Bonds Sinking Fund; and

(10) Within the Series 1998 C Bonds Sinking Fund, the Series 1998 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, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1988 B Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 1988 B Bonds; (ii) for deposit in the Series 1993 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest, if any, on and the principal of the Series 1993 A Bonds; (iii) for deposit in the Series 1998 A Bonds Sinking Fund, the amounts required by the Prior Resolutions to pay the interest on and the principal of the Series 1998 A Bonds; (iv) commencing 3 months prior to the first date of payment of principal of the Series 1998 B Bonds, for deposit in the Series 1998 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date; (v) commencing 3 months prior to the first date of payment of interest on the Series 1998 C Bonds or commencing 3 months after the full payment of the Series 1998 B Bonds, whichever occurs first, for which interest has not been capitalized or as required in the Loan Agreement, for deposit in the Series 1998 C Bonds Sinking Fund, an amount equal

to 1/3rd of the amount of interest which will become due on the Series 1998 C Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 C Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date; and (vi) commencing 3 months prior to the first date of payment of principal of the Series 1998 C Bonds or commencing 3 months after the full payment of the Series 1998 B Bonds, whichever occurs first, for deposit in the Series 1998 C Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 C Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 C Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 1988 B Bonds Reserve Account, the amount required by the Prior Resolutions; (ii) for deposit in the Series 1993 A Bonds Reserve Account, the amount required by the Prior Resolutions; (iii) for deposit in the Series 1998 A Bonds Reserve Account, the amount required by the Prior Resolutions; (iv) commencing 3 months prior to the first date of payment of principal of the Series 1998 B Bonds, if not fully funded upon issuance of the Series 1998 B Bonds, for deposit in the Series 1998 B Bonds Reserve Account, an amount equal to 1/120th of the Series 1998 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1998 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1998 B Bonds Reserve Requirement; and (v) commencing 3 months prior to the first date of payment of principal of the Series 1998 C Bonds or commencing 3 months after the full payment of the Series 1998 B Bonds, whichever occurs first, if not fully funded upon issuance of the Series 1998 C Bonds, for deposit in the Series 1998 C Bonds Reserve Account, an amount equal to 1/120th of the Series 1998 C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1998 C Bonds Reserve Account when there shall have been

deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1998 C 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 and not in addition thereto), transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998 B Bonds Sinking Fund and the Series 1998 C Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1998 B Bonds and the Series 1998 C Bonds, respectively, as the same shall become due. Moneys in the Series 1998 B Bonds Reserve Account and the Series 1998 C Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1998 B Bonds and the Series 1998 C Bonds, respectively, as the same shall come due, when other moneys in the Series 1998 B Bonds Sinking Fund and the Series 1998 C Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account, the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the respective Bond Construction Trust Funds, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 1998 B Bonds and the Series 1998 C Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 1998 B Bonds Reserve Account or the Series 1998 C Bonds Reserve Account which result in a reduction in the balance of the Series 1998 B Bonds Reserve Account or the Series 1998 C Bonds Reserve Account to below the respective Reserve Requirements shall be subsequently restored from the

first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 1998 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account, the Series 1998 C Bonds Sinking Fund or the Series 1998 C Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 1998 B Bonds and the Series 1998 C Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 1998 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account, the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

Moneys in the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account, the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account, the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 B Bonds and the Series 1998 C Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1998 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement for the Series 1998 B Bonds.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement for the Series 1998 B Bonds, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1998 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1998 B Bonds, there shall first be deposited with the Commission in the Series 1998 B Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. From the proceeds of the Series 1998 C Bonds, there shall first be deposited with the Commission in the Series 1998 C Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

C. Next, from the proceeds of the Series 1998 B Bonds, there shall be deposited with the Commission in the Series 1998 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 B Bonds Reserve Account.

D. Next, from the proceeds of the Series 1998 C Bonds, there shall be deposited with the Commission in the Series 1998 C Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 C Bonds Reserve Account.

E. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 1998 B Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1998 B Bonds.

F. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 C Bonds, such moneys shall be deposited with the Depository Bank in the Series 1998 C Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1998 C Bonds.

G. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 1998 B Bonds shall be applied as directed by the DEP and the Authority and any remaining proceeds of the Series 1998 C Bonds shall be applied as directed by the Council and the Authority.

Section 6.02. Disbursements From the Bond Construction Trust Fund. A. 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 1998 B 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 1998 B Bonds 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 for the Series 1998 B Bonds, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

B. The Issuer shall each month provide the Council and the Authority with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1998 C Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

Pending such application, moneys in the respective Bond Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1998 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1998 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1998 Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 Bonds or the interest , if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 1998 B Bonds and the Series 1998 C Bonds shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holder of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 1998 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered January 31, 1992, in Case No. 91-163-PSD-42A, 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 1998 Bonds are outstanding and except as otherwise required by law or with the written consent of the DEP, the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole,

and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1998 Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the DEP, the Authority and the Council, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 1998 Bonds. Any balance remaining after the payment of the Series 1998 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 upon public bidding. The proceeds of any such sale shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. The payment of such proceeds into the Renewal and Replacement Fund and the Sinking Funds shall not reduce the amount 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 of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and

Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1998 Bonds. All obligations issued by the Issuer after the issuance of the Series 1998 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 1998 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1998 Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 1998 Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. Additionally, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1998 Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority, the DEP and the Council 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 1998 Bonds.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of

the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1998 Bonds on such revenues. The Issuer shall not

issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1998 Bonds.

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

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

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

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

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

The Issuer shall file with the DEP, the Council, the Authority, or any other original purchaser of the Series 1998 Bonds, and shall mail in each year to any Holder or Holders of the Series 1998 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with OMB Circular 128 or any successor thereto and the Single Audit Act 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 1998 Bonds, and shall submit said report to the DEP, the Council and the Authority, or any other original purchaser of the Series 1998 Bonds. Such audit report submitted to the DEP, the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

The Issuer shall permit the DEP, the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the DEP, the Authority and the Council 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 for the Series 1998 A Bonds 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 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 1998 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1998 Bonds, including the Prior Bonds; provided that, when the Series 1998 A Bonds are no longer outstanding and in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Reserve Accounts and the reserve accounts for obligations on a parity with the Series 1998 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1998 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1998 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

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

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Loan Agreements, and forward a copy of such report to the DEP, the Authority and the Council 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 DEP, the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the DEP, the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall 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 for the Series 1998 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 employ qualified operating personnel properly certified by the State before the Project is 25% complete and shall 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. 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. 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 Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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 will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1998 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the

interest due on the Series 1998 Bonds during the term thereof is, under the terms of the Series 1998 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1998 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1998 Bonds during the term thereof is, under the terms of the Series 1998 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1998 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1998 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1998 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1998 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1998 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1998 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 Bonds, a statutory mortgage lien upon the System is granted and

created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1998 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holder of the Prior Bonds.

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

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

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

Section 7.22. Contracts. A. The Issuer shall, simultaneously with the delivery of the Series 1998 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 and the Council for written approval. The Issuer shall obtain the written approval of the DEP and the Council before expending any proceeds of the Series 1998 Bonds held in "contingency" as set forth in the respective Schedules attached to the Loan Agreement. The Issuer shall also obtain the written approval of the DEP and the Council before expending any proceeds of the Series 1998 Bonds made available due to bid or construction or project underruns.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 1998 Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1998 Bonds which would cause the Series 1998 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 Bonds) so that the interest, if any, on the Series 1998 Bonds will be and remain excluded from gross income for federal

income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1998 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1998 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

If the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1998 Bonds. In the event of a failure to pay the correct rebate amount, the Issuer will pay, from any lawful sources available therefor, to the United States such amount, plus a penalty equal to 50% of the rebate amount not paid when required to be paid, plus interest on that amount, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for any exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1998 Bonds subject to rebate. The Issuer shall also furnish the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds

constituting "gross proceeds" of the Series 1998 Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 1998 Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1998 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1998 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holder of the Series 1998 Bonds shall be on a parity with the Holder of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and

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

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

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

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

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

court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 1998 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1998 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 1998 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 1998 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1998 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1998 Bonds shall be made without the consent in writing of the Registered Owners of the Series 1998 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, 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 1998 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1998 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1998 Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. 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. 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 Jefferson County Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 1998 Bonds to be issued;

(b) The maximum interest rate and terms of the Series 1998 Bonds authorized hereby;

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

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

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

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

Adopted this 18th day of June, 1998.

Stanley E. Zombro
Chairman

Carole A. Hall
Member

Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of JEFFERSON COUNTY PUBLIC SERVICE DISTRICT on the 18th day of June, 1998.

Dated: June 25, 1998.

[SEAL]

Secretary

06/15/98
450260/94001

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM) AND SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND), OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT ; AUTHORIZING AND APPROVING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Jefferson County Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective June 18, 1998 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $599,089 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN $662,039 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS;

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

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

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program) and Series 1998 C (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 1998 B Bonds" and the "Series 1998 C Bonds"), in the respective aggregate principal amounts not to exceed $599,089 and $662,039, and has authorized the execution and delivery of the loan agreement relating to the Series 1998 B Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") and the loan agreement relating to the Series 1998 C Bonds, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (collectively, the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, Chapter 22C, Article 2 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal

payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

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

A. The Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $599,089. The Series 1998 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2019, and shall bear no interest. The principal of the Series 1998 B Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending June 1, 2019, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1998 B Bonds. The Series 1998 B Bonds shall be subject to redemption upon the written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 1998 B Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 1998 B Bonds set forth in "Schedule Y" attached to the Loan Agreement.

B. The Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered CR-1, in the principal amount of $662,039. The Series 1998 C Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2038, and shall bear interest at the rate of 1% per annum. The interest on and principal of the Series 1998 C Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2019, and ending June 1, 2038, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1998 C Bonds. The Series 1998 C Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 1998 C Bonds.

The Series 1998 C Bonds are subject to prepayment of principal in an amount not to exceed $75,600 if Sanitary Associates (or its successors or assigns) or the customers served by Sanitary Associates (hereinafter "SA") are connected to the System. On the first day of the month following the receipt by the Issuer of the first payment of rates and charges from SA and on the first day of each month thereafter, the Issuer shall transfer from the

Revenue Fund an amount equal to 30% of the revenues collected the previous month from SA and remit such amount to the Commission. The Commission shall treat such deposits as prepayments of principal and shall on the first day of each March, June, September and December remit such prepayments to the Authority. The principal prepayments shall continue until the Authority has been paid $75,600. The principal prepayments shall be applied against the last maturing principal of the Series 1998 C Bonds and shall be in addition to the debt service payments on the Series 1998 B and Series 1998 C Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify 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 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 One Valley Bank, National Association, 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 F & M Bank - Blakeley, Ranson, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 1998 B Bonds proceeds in the amount of -0- shall be deposited in the Series 1998 B Bonds Sinking Fund, as capitalized interest.

Section 8. Series 1998 B Bonds proceeds in the amount of $29,956 shall be deposited in the Series 1998 B Bonds Reserve Account.

Section 9. Series 1998 C Bonds proceeds in the amount of -0- shall be deposited in the Series 1998 C Bonds Sinking Fund, as capitalized interest.

Section 10. Series 1998 C Bonds proceeds in the amount of -0- shall be deposited in the Series 1998 C Bonds Reserve Account.

Section 11. The balance of the proceeds of the Series 1998 B Bonds and the Series 1998 C Bonds shall be deposited in or credited to the respective Bond Construction Trust Funds for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

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 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 25, 1998, to the Authority pursuant to the Loan Agreement.

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, serves 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 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, including the Reserve Accounts therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

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

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 18th day of June, 1998.

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

Stanley E. Zombro
Chairman

Carole A. Hall
Member

Member

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of Jefferson County Public Service District on the 18th day of June, 1998.

Dated: June 25, 1998.

[SEAL]

Secretary

06/15/98
450260/94001

SRF-LP-1
(September 1997)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan 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 DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Bureau of Environment (the "DEP"), and the local government designated below (the "Local Government").

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
(Local Government)

WITNESSETH:

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 20, Article 5I, 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 direct the distribution of loans to 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 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 make loans from the Fund to local governments 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 construct, operate and improve a wastewater treatment project and to finance the cost of constructing or acquiring 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 a Loan with attachments and exhibits and an Amended Application for a Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and 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.

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 "Loan" means the loan to be made by the Authority and DEP to the Local Government through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

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

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

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

1.7 "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.

1.8 "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.

1.9 "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.

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

1.11 "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.

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

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the 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 Loan Agreement and of 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, at 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 Loan 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.

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. 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 Loan 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 resident 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 resident 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 Recipient As-Built Plans, 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 agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Local Government 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 this Loan Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 25% 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 construction of the Project and for two years following the completion 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 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 the Form to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority and DEP to make the Loan 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 a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan 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 Loan 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 Loan will refund an interim financing of construction, 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") necessary for the construction of the Project and operation of the System, 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, 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 Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants 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 Loan 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 make the Loan to the Local Government and the Local Government shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the 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 Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date set forth in Exhibit E hereto.

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 loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan 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 loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

4.1 The Local Government shall, as one of the conditions of the Authority and DEP to make the Loan, 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 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. The revenues generated from the operation of the System 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 an amount at least 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 the net revenues from the System;

(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 established for the payment of debt service on the Local Bonds is funded (whether by Local Bond proceeds, monthly deposits or otherwise) 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 will complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other deposition 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 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 any Local Bond owner 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 the Local Government is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Local Government's revenues are adequate to meet its operation and maintenance expenses and debt service 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 for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding 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 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 West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund 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 to the Authority by the 5th day of such calendar month;

(xvii) That the Commission shall serve as paying agent for all Local Bonds;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Code, 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 Code, 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, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project; and

(xx) That the Local Government shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, 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.

The Local Government hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, 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 Loan 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 Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority 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 make any loans 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 make the Loan.

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 Loan Agreement and the Local Act. The Local Government hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 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 minimum sums set forth in the Local Act, 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 so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Local Government defaults in any payment due to the Authority pursuant to Section 4.2 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The 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 directly charges upon users 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 local governments in the terms and covenants of loan agreements, 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 Loan Agreement.

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

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan 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 Loan.

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 Project, 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 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 Schedule Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the 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 Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

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

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

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

7.6 By execution and delivery of this Loan 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 Loan Agreement shall terminate upon the earlier of:

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

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

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

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

Jefferson County PSD
[Proper Name of Local Government]

(SEAL)

By: Stanley E. Zombro
Its: Chairman

Attest:

Date: June 4, 1998

Carole A. Hall
Its Secretary

WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION

By: Barbara E. Taylor by WBB
Its: Chief, Office of Water Resources

Date: 6/8/98

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Yankosky
Its: Director

Attest:

Date: June 2, 1998

Barbara B. Meadows
Secretary-Treasurer

APPROVED AS TO FORM PRIOR TO ACKNOWLEDGEMENT THEREOF, THIS 25th day of September 19 97
DARRELL V. McGRAW, JR.
ATTORNEY GENERAL
By: Dawn E. Warfield
DEPUTY ATTORNEY GENERAL

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT B

[Form of Monthly Financial Report]
[Name of Local Government]
[Name of Bond Issue]
Fiscal Year - __
Report Month: _____

	ITEM	CURRENT MONTH	YEAR TO DATE	BUDGET YEAR TO DATE	BUDGET DIFFERENCE
1.	Gross Revenues Collected				
2.	Operation and Maintenance Expense				
3.	Other Bond Debt Payments (including Reserve Fund deposits)				
4.	SRF Bond Payments (include Reserve Fund deposits)				
5.	Renewal and Replacement Fund Deposit				
6.	Funds available for capital construction				

Witnesseth my signature this __ day of ____, ____.

[Name of Local Government]

By: _____
Authorized Officer

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 that my firm is engineer for the acquisition and construction of _____ to the _____ system (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in _____County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the _____ of the Issuer on _____, 19___, effective _____, 19___, and the Loan Agreement by and among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") dated _____, 19___.

1. The Bonds are being issued for the purpose of _____ _____ (the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least twenty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors 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 by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the ____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (vi) 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 irrevocably committed therefor, are sufficient to pay the costs of construction and

acquisition of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this _____ day of _____, 19___.

_____

By _____

West Virginia License No. __

[SEAL]

EXHIBIT E

SPECIAL CONDITIONS

A. The recipient agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations 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)) - The loan recipient that receives $25,000 or more in a fiscal year must obtain audits in accordance with the Single Audit Act of 1984 and OMB Circular 128. Financial statement audits are required once all funds have been received by the loan recipient.

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
1201 Dunbar Avenue
Dunbar, WV 25064

Re: [Name of bond issue]

Dear Sirs:

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

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

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 Loan Closing]

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Local Government and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Local Government, dated _____, 19_ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of $_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest payable _____ 1, ____ 1, ____ 1, and ____ 1 of each year, beginning _____ 1, 19_, at the respective rate or rates and with principal payable in installments on ____ 1 in each of the years, all as follows:

Year	Installment	Interest Rate

The Local Bonds are issued for the purpose of _____ and 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 enacted by the Local Government on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Local Government is a duly organized and presently existing _____ _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Government has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Local Government, payable from the net revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the net revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Local Bonds are, 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 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 BONDS

Principal Amount of Bonds	$ 599,089
Purchase Price of Bonds	$ 599,089

Interest on the Bonds shall be zero percent from the date of delivery ~~to and including~~ ----------. Principal ~~and interest~~ on the Bonds is payable quarterly, commencing Sept. 1, 1999, at a rate of 0 % per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has [other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds] or [provide list of outstanding debt]. (See attached schedule) *

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund 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 Bond Commission. The Local Government shall instruct the Bond 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 Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal ~~and interest~~ and such Bonds shall grant the Authority a first lien on the net revenues of the Local Government's system.

The Local Government may prepay the 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 Bonds which request must be filed at least 60 days prior to the intended date of issuance.

*Sewer Revenue Bonds, Series 1988B, issued May 5, 1988, in the original principal amount of $425,767. (WDA Program)

Sewer Revenue Bonds, Series 1993A, issued November 10, 1993, in the original principal amount of $971,000. (SRF Program)

Sewer Refunding Revenue Bonds, Series 1998A, issued March 12, 1998, in the original principal amount of $2,430,000.

Jefferson County PSD, WV
SRF Fund Loan
$599,089, 20 Years, 0% Interest, 1% Admin. Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/1999	-	-	-
9/01/1999	7,489.00	-	7,489.00
12/01/1999	7,489.00	-	7,489.00
3/01/2000	7,489.00	-	7,489.00
6/01/2000	7,489.00	-	7,489.00
9/01/2000	7,489.00	-	7,489.00
12/01/2000	7,489.00	-	7,489.00
3/01/2001	7,489.00	-	7,489.00
6/01/2001	7,489.00	-	7,489.00
9/01/2001	7,489.00	-	7,489.00
12/01/2001	7,489.00	-	7,489.00
3/01/2002	7,489.00	-	7,489.00
6/01/2002	7,489.00	-	7,489.00
9/01/2002	7,489.00	-	7,489.00
12/01/2002	7,489.00	-	7,489.00
3/01/2003	7,489.00	-	7,489.00
6/01/2003	7,489.00	-	7,489.00
9/01/2003	7,489.00	-	7,489.00
12/01/2003	7,489.00	-	7,489.00
3/01/2004	7,489.00	-	7,489.00
6/01/2004	7,489.00	-	7,489.00
9/01/2004	7,489.00	-	7,489.00
12/01/2004	7,489.00	-	7,489.00
3/01/2005	7,489.00	-	7,489.00
6/01/2005	7,489.00	-	7,489.00
9/01/2005	7,489.00	-	7,489.00
12/01/2005	7,489.00	-	7,489.00
3/01/2006	7,489.00	-	7,489.00
6/01/2006	7,489.00	-	7,489.00
9/01/2006	7,489.00	-	7,489.00
12/01/2006	7,489.00	-	7,489.00
3/01/2007	7,489.00	-	7,489.00
6/01/2007	7,489.00	-	7,489.00
9/01/2007	7,489.00	-	7,489.00
12/01/2007	7,489.00	-	7,489.00
3/01/2008	7,489.00	-	7,489.00
6/01/2008	7,489.00	-	7,489.00
9/01/2008	7,489.00	-	7,489.00
12/01/2008	7,489.00	-	7,489.00
3/01/2009	7,489.00	-	7,489.00
6/01/2009	7,489.00	-	7,489.00
9/01/2009	7,489.00	-	7,489.00
12/01/2009	7,489.00	-	7,489.00
3/01/2010	7,489.00	-	7,489.00
6/01/2010	7,489.00	-	7,489.00

Jefferson County PSD, WV
SRF Fund Loan
$599,089, 20 Years, 0% Interest, 1% Admin. Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2010	7,489.00	-	7,489.00
12/01/2010	7,489.00	-	7,489.00
3/01/2011	7,489.00	-	7,489.00
6/01/2011	7,489.00	-	7,489.00
9/01/2011	7,489.00	-	7,489.00
12/01/2011	7,488.00	-	7,488.00
3/01/2012	7,488.00	-	7,488.00
6/01/2012	7,488.00	-	7,488.00
9/01/2012	7,488.00	-	7,488.00
12/01/2012	7,488.00	-	7,488.00
3/01/2013	7,488.00	-	7,488.00
6/01/2013	7,488.00	-	7,488.00
9/01/2013	7,488.00	-	7,488.00
12/01/2013	7,488.00	-	7,488.00
3/01/2014	7,488.00	-	7,488.00
6/01/2014	7,488.00	-	7,488.00
9/01/2014	7,488.00	-	7,488.00
12/01/2014	7,488.00	-	7,488.00
3/01/2015	7,488.00	-	7,488.00
6/01/2015	7,488.00	-	7,488.00
9/01/2015	7,488.00	-	7,488.00
12/01/2015	7,488.00	-	7,488.00
3/01/2016	7,488.00	-	7,488.00
6/01/2016	7,488.00	-	7,488.00
9/01/2016	7,488.00	-	7,488.00
12/01/2016	7,488.00	-	7,488.00
3/01/2017	7,488.00	-	7,488.00
6/01/2017	7,488.00	-	7,488.00
9/01/2017	7,488.00	-	7,488.00
12/01/2017	7,488.00	-	7,488.00
3/01/2018	7,488.00	-	7,488.00
6/01/2018	7,488.00	-	7,488.00
9/01/2018	7,488.00	-	7,488.00
12/01/2018	7,488.00	-	7,488.00
3/01/2019	7,488.00	-	7,488.00
6/01/2019	7,488.00	-	7,488.00
TOTAL	599,089.00	-	599,089.00 *

*Plus $758.21 one-percent administrative fee paid quarterly. Total fee paid over the life of the loan is $60,656.80.

IC/WDA-1
(July 1996)

LOAN AGREEMENT

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

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

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

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

ARTICLE I

Definitions

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

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

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Division of Environmental Protection, or any successor thereto.

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or

other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents and representatives shall, prior to, at 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 with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority 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 Loan or of any State and federal grants or other sources of financing for the Project.

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

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

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

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

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

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 15th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") 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 shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local

counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

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

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

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the

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

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

ARTICLE IV

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

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

(a) That the gross revenues of the System shall always be used for purposes of the System. The revenues generated from the operation of the System 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, if any (the "Reserve Account"), was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(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, if any, established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least 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") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum

amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, based upon the rates, Operating Expenses and customer usage on the date of closing, 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; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

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

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

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

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

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

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, 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, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

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

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

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

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such

reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

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

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

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

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the State's general obligation bonds unless otherwise agreed to by the Council.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as 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 minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

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

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

6.4 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable

from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

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

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

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

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

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

(SEAL)

By: Stanley E. Zombro
Its: Chairman

Date: 6/25/98

Attest:
Carole A. Hall
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Director

Date: 6/25/98

Attest:
Barbara B Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, _____, hereby certify that my firm is engineer for the acquisition and construction of _____ to the _____ system (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in _____ County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the _____ of the Issuer on _____, 19__, effective ___, 19__, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority") dated _____, 19__.

1. The Bonds are being issued for the purpose of _____ _____ (the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least _____ years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors 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 by my firm for accuracy, (iv) the chosen bidder received any and all addenda to the original bid documents; (v) the bid documents reflect the Project as approved by the West Virginia [Division of Environmental Protection][Bureau for Public Health]; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (ix) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreement, (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably

pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this __ day of ____, 19_.

_____

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
c/o West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of $_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning _____, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds.

The Local Bonds are issued for the purpose of _____ and 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 enacted by the Governmental Agency on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Governmental Agency is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. [If required, 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 executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

EXHIBIT C

Monthly Financial Report

_____

[Name of Governmental Agency]

_____

_____

[Name of Bond Issue]

Fiscal Year - __

Report Month: _____

	ITEM	CURRENT MONTH	YEAR TO DATE	BUDGET YEAR TO DATE	DIFFERENCE
1.	Gross Revenues Collected				
2.	Operation and Maintenance Expense				
3.	Other Bond Debt Payments (including Reserve Fund deposits)				
4.	Bond Payments (include Reserve Fund deposits)				
5.	Renewal and Replacement Fund Deposit				
6.	Funds available for capital construction				

Witnesseth my signature this __ day of ____, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	$662,039
Purchase Price of Bonds	$662,039

Principal and interest on the Bonds is payable quarterly, commencing September 1, 2019, or such earlier or later date as provided for in Section 5.03A(2) of the Bond Resolution, to and including June 1, 2038, at a rate of 1% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 commencing September 1, 2019, or such earlier or later date as provided for in Section 5.03A(2) of the Bond Resolution, as set forth on Schedule Y attached hereto and incorporated herein by reference. The Bonds shall be issued on a parity with the Governmental Agency's Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988; Sewer Revenue Bonds, Series 1993 A, dated November 10, 1993; Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998; and with the Governmental Agency's Sewer Revenue Bonds, Series 1998 B, issued simultaneously therewith.

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

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal and interest and such Bonds shall grant the Authority a first lien on the net revenues of the Governmental Agency's system.

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

Schedule Y

Quarterly Debt Service Schedule

Jefferson County Public Service District
$662,039
Infrastructure Fund Loan

Term (Yrs.): 40 Loan Rate: 1.00%

First Payment: 09/01/19 Final Payment: 6/1/38

Date	#	Principal	Interest	Total
6/1/98		-	-	-
9/1/98		-	-	-
12/1/98		-	-	-
3/1/99		-	-	-
6/1/99		-	-	-
9/1/99		-	-	-
12/1/99		-	-	-
3/1/00		-	-	-
6/1/00		-	-	-
9/1/00		-	-	-
12/1/00		-	-	-
3/1/01		-	-	-
6/1/01		-	-	-
9/1/01		-	-	-
12/1/01		-	-	-
3/1/02		-	-	-
6/1/02		-	-	-
9/1/02		-	-	-
12/1/02		-	-	-
3/1/03		-	-	-
6/1/03		-	-	-
9/1/03		-	-	-
12/1/03		-	-	-
3/1/04		-	-	-
6/1/04		-	-	-
9/1/04		-	-	-
12/1/04		-	-	-
3/1/05		-	-	-
6/1/05		-	-	-
9/1/05		-	-	-
12/1/05		-	-	-
3/1/06		-	-	-
6/1/06		-	-	-
9/1/06		-	-	-
12/1/06		-	-	-
3/1/07		-	-	-
6/1/07		-	-	-
9/1/07		-	-	-
12/1/07		-	-	-
3/1/08		-	-	-

Schedule Y

Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
6/1/08		-	-	-
9/1/08		-	-	-
12/1/08		-	-	-
3/1/09		-	-	-
6/1/09		-	-	-
9/1/09		-	-	-
12/1/09		-	-	-
3/1/10		-	-	-
6/1/10		-	-	-
9/1/10		-	-	-
12/1/10		-	-	-
3/1/11		-	-	-
6/1/11		-	-	-
9/1/11		-	-	-
12/1/11		-	-	-
3/1/12		-	-	-
6/1/12		-	-	-
9/1/12		-	-	-
12/1/12		-	-	-
3/1/13		-	-	-
6/1/13		-	-	-
9/1/13		-	-	-
12/1/13		-	-	-
3/1/14		-	-	-
6/1/14		-	-	-
9/1/14		-	-	-
12/1/14		-	-	-
3/1/15		-	-	-
6/1/15		-	-	-
9/1/15		-	-	-
12/1/15		-	-	-
3/1/16		-	-	-
6/1/16		-	-	-
9/1/16		-	-	-
12/1/16		-	-	-
3/1/17		-	-	-
6/1/17		-	-	-
9/1/17		-	-	-
12/1/17		-	-	-
3/1/18		-	-	-
6/1/18		-	-	-
9/1/18		-	-	-
12/1/18		-	-	-
3/1/19		-	-	-
6/1/19		-	-	-
9/1/19	1	7,920.53	1,655.09	9,575.62
12/1/19	2	7,940.33	1,635.30	9,575.63
3/1/20	3	7,960.18	1,615.44	9,575.62

Schedule Y

Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
6/1/20	4	7,980.08	1,595.55	9,575.63
9/1/20	5	8,000.04	1,575.59	9,575.63
12/1/20	6	8,020.04	1,555.60	9,575.64
3/1/21	7	8,040.09	1,535.54	9,575.63
6/1/21	8	8,060.19	1,515.45	9,575.64
9/1/21	9	8,080.34	1,495.29	9,575.63
12/1/21	10	8,100.54	1,475.10	9,575.64
3/1/22	11	8,120.79	1,454.84	9,575.63
6/1/22	12	8,141.09	1,434.54	9,575.63
9/1/22	13	8,161.44	1,414.18	9,575.62
12/1/22	14	8,181.85	1,393.79	9,575.64
3/1/23	15	8,202.30	1,373.32	9,575.62
6/1/23	16	8,222.81	1,352.83	9,575.64
9/1/23	17	8,243.36	1,332.26	9,575.62
12/1/23	18	8,263.97	1,311.66	9,575.63
3/1/24	19	8,284.63	1,290.99	9,575.62
6/1/24	20	8,305.34	1,270.29	9,575.63
9/1/24	21	8,326.11	1,249.52	9,575.63
12/1/24	22	8,346.92	1,228.71	9,575.63
3/1/25	23	8,367.79	1,207.84	9,575.63
6/1/25	24	8,388.71	1,186.93	9,575.64
9/1/25	25	8,409.68	1,165.94	9,575.62
12/1/25	26	8,430.71	1,144.93	9,575.64
3/1/26	27	8,451.78	1,123.84	9,575.62
6/1/26	28	8,472.91	1,102.72	9,575.63
9/1/26	29	8,494.09	1,081.53	9,575.62
12/1/26	30	8,515.33	1,060.31	9,575.64
3/1/27	31	8,536.62	1,039.01	9,575.63
6/1/27	32	8,557.96	1,017.68	9,575.64
9/1/27	33	8,579.35	996.27	9,575.62
12/1/27	34	8,600.80	974.83	9,575.63
3/1/28	35	8,622.30	953.32	9,575.62
6/1/28	36	8,643.86	931.77	9,575.63
9/1/28	37	8,665.47	910.16	9,575.63
12/1/28	38	8,687.13	888.50	9,575.63
3/1/29	39	8,708.85	866.77	9,575.62
6/1/29	40	8,730.62	845.01	9,575.63
9/1/29	41	8,752.45	823.18	9,575.63
12/1/29	42	8,774.33	801.30	9,575.63
3/1/30	43	8,796.27	779.36	9,575.63
6/1/30	44	8,818.26	757.38	9,575.64
9/1/30	45	8,840.30	735.32	9,575.62
12/1/30	46	8,862.40	713.23	9,575.63
3/1/31	47	8,884.56	691.07	9,575.63
6/1/31	48	8,906.77	668.86	9,575.63
9/1/31	49	8,929.04	646.59	9,575.63
12/1/31	50	8,951.36	624.27	9,575.63
3/1/32	51	8,973.74	601.89	9,575.63

Schedule Y

Quarterly Debt Service Schedule

Date	#	Principal	Interest	Total
6/1/32	52	8,996.17	579.46	9,575.63
9/1/32	53	9,018.66	556.96	9,575.62
12/1/32	54	9,041.21	534.42	9,575.63
3/1/33	55	9,063.81	511.81	9,575.62
6/1/33	56	9,086.47	489.16	9,575.63
9/1/33	57	9,109.19	466.44	9,575.63
12/1/33	58	9,131.96	443.67	9,575.63
3/1/34	59	9,154.79	420.83	9,575.62
6/1/34	60	9,177.68	397.96	9,575.64
9/1/34	61	9,200.62	375.00	9,575.62
12/1/34	62	9,223.62	352.01	9,575.63
3/1/35	63	9,246.68	328.94	9,575.62
6/1/35	64	9,269.80	305.83	9,575.63
9/1/35	65	9,292.98	282.65	9,575.63
12/1/35	66	9,316.21	259.43	9,575.64
3/1/36	67	9,339.50	236.13	9,575.63
6/1/36	68	9,362.85	212.79	9,575.64
9/1/36	69	9,386.25	189.37	9,575.62
12/1/36	70	9,409.72	165.92	9,575.64
3/1/37	71	9,433.24	142.38	9,575.62
6/1/37	72	9,456.83	118.81	9,575.64
9/1/37	73	9,480.47	95.16	9,575.63
12/1/37	74	9,504.17	71.46	9,575.63
3/1/38	75	9,527.93	47.69	9,575.62
6/1/38	76	9,551.72	23.88	9,575.60
		$ 662,039.00	**$ 65,708.85**	**$ 727,747.79**

Summary Statistics:

Average Annual Cost -	**$18,193.69**
Average Life -	**30.925**
Average Interest Rate -	**0.4750%**
Net Interest Cost (NIC)	**0.3209%**
True Interest Cost (TIC)	**0.3102%**
Tax Yield (I.R.C. Section 148)	**0.3102%**
All-in Yield (AIC) *	**0.3102%**

Data for Form 8038:

	Line 19:	Line 20:
(a)	6/1/38	N/A
(b)	1.000%	N/A
(c)	$9,551.72	$662,039.00
(d)	$9,551.72	$662,039.00
(e)	N/A	30.925
(f)	N/A	0.3102%
(g)	N/A	0.3209%

* Assumes no costs to borrower in connection with loan.

SCHEDULE Z

The Series 1998 C Bonds are subject to prepayment of principal in an amount not to exceed $75,600 if Sanitary Associates (or its successors or assigns) or the customers served by Sanitary Associates (hereinafter "SA") are connected to the System. On the first day of the month following the receipt by the District of the first payment of rates and charges from SA and on the first day of each month thereafter, the District shall transfer from the Revenue Fund an amount equal to 30% of the revenues collected the previous month from SA and remit such amount to the Commission. The Commission shall treat such deposits as prepayments of principal and shall on the first day of each March, June, September and December remit such prepayments to the Authority. The principal prepayments shall continue until the Authority has been paid $75,600. The principal prepayments shall be applied against the last maturing principal of the Series 1998 C Bonds and shall be in addition to the debt service payments on the Series 1998 B and Series 1998 C Bonds.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 26th day of February, 1998.

CASE NO. 97-1468-PSD-ECN

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
Application for an emergency certificate of convenience and necessity to upgrade the Walnut Grove Community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run subdivisions.

COMMISSION FINAL ORDER
PROCEDURAL HISTORY

On August 5, 1997, The West Virginia Housing Development Fund (West Virginia Housing Development Fund or WVHDF) approved the Walnut Grove Sewer Project, which involves the construction of sewer lines and the acquisition of the sewer lines in certain residential developments for a loan under the Land Development Program. The commitment is subject to the District's compliance with the requirements and conditions contained in the approval letter. The loan is to be in a maximum principal amount not to exceed $950,000, and will be evidenced by a Bond Anticipation Note in the principal amount. The interest rate for the loan shall be 0% per annum. The term of the loan shall be for a period of up to 10 years. An origination fee of (1%) of the maximum principal amount, or $9,500 is due at closing. The loan shall be repaid through a series of loans from the West Virginia State Revolving Loan Fund (SRF) and West Virginia Infrastructure and Jobs Development Council (Infrastructure Council or WVIJDC).

By letter dated September 17, 1997, the Commission was advised this project was designated emergency status by the West Virginia Infrastructure and Jobs Development Council. Pursuant to W.V. Code § 31-15A-8(b), the Commission has only 120 days to process this case.

On October 29, 1997, the Jefferson County Public Service District (District or PSD) filed documents which the Executive Secretary's Office treated as an application for an emergency

certificate application of public convenience and necessity to upgrade the Walnut Grove Subdivision sewer system, to provide sewer service extensions to Breckenridge, Cambridge, and Briar Run subdivision developments, and to provide Sanitary Associates (Sanitary) with a sewer service extension. All areas are located in Jefferson County, West Virginia. Also, accompanying the emergency application were three (3) alternate sewer main line extension agreements, a bill collection agreement, and a water service termination agreement for which regulatory approval was being sought within the context of this case.

By Order dated October 30, 1997, the District was required to publish notice of its application for an emergency certificate application of convenience and necessity for the project.

On November 7, 1997, Commission Staff filed a memorandum noting the District intended to request a waiver of the Rule 42 requirement and that certain financial and engineering information was incomplete.

On November 14, 1997, Sanitary Associates filed a letter objecting to the District's request for approval of its funding through the West Virginia Housing Fund and Infrastructure Council, and for approval of the Alternate Mainline Extension Agreement entered into by the District and the developers of Cambridge, Breckenridge, and Briar Run subdivisions.

On November 19, 1997, Staff filed its Initial Joint Staff Memorandum that recommended dismissal of the case because the District's filing did not contain adequate information about the sewer project for Staff to continue its review.

On November 21, 1997, the District filed its affidavit of publication for this project with the Commission.

On December 1, 1997, the Commission received a second letter of protest from Sanitary Associates discussing the issue of duplication of utility service.

On December 2, 1997, the District filed a request for an immediate hearing with the Commission to permit Sanitary Associates to address the issues raised in its two (2) letters. On this same day, the District also filed a response to the Staff's Initial Joint Staff Memorandum filed on November 19, 1997, and in its response, the District submitted additional information to address the Staff's initial concerns about the lack of information.

On December 9, 1997, Counsel for the Cambridge developer

filed a letter requesting Sanitary Associates' objection be dismissed, or in the alternative, an expedited hearing be held.

On December 12, 1997, the District filed a letter from the West Virginia Infrastructure and Jobs Development Council (WVIJDC) that offered the District a binding commitment to a loan for the sewer project.

On December 31, 1997, Staff filed its Final Joint Staff Memorandum recommending the case be dismissed unless an adequate explanation of the loan commitments from the West Virginia State Revolving Loan Fund and WVIJDC is received and the main line extension agreements are proved nondiscriminatory.

On January 5, 1998, a Commission Order was entered establishing a hearing in the matter. The hearing was held on January 20, 1998. Prior to the presentation of evidence, intervenor status was granted to Jefferson Utilities, Inc., Walnut Grove/Security Hills Citizen Association, Inc., Cambridge Associates, and Sanitary Associates.

At the hearing, the District presented evidence that it has taken action to obtain funding from the Infrastructure Council for the project, and has gained approval. (Tr., pg. 13). Evidence was presented demonstrating there is a serious infiltration problem in the Walnut Grove area, particularly during storms and snow melts. (Tr., pgs. 15, 23). The developments requiring the proposed extensions surround this area. (Tr., pg. 17). The District also stated there would be no discrimination among customers due to the alternate main line agreements and no impact on the existing rates of the customers due to the agreements. (Tr., pg. 21). New customers will pay the same as existing customers.(Tr., pg. 22). The evidence was supported by fifteen (15) exhibits.

Following the hearing, because Sanitary Associates stated it had not been given ample time to digest the exhibits presented by the District, the Commission provided Sanitary Associates one week within which to respond to the exhibits.

On January 27, 1998, Counsel for Sanitary Associates filed its response and additionally, requested an opportunity to present witnesses before the Commission to testify that the PSD's plan as submitted is not cost effective and that under the plan the PSD would service an area currently serviced by Sanitary, affecting Sanitary's rates and taking over its area. Sanitary enclosed Staff's Final Joint Memorandum in support of its position that the proposed project to serve the three subdivisions and rehabilitate the existing sewer lines to Walnut

Grove is not viable.

On February 2, 1998, Stephen Leas, counsel for Cambridge filed a reply to Sanitary Associates' response. Mr. Leas pointed out that the issues presented by Sanitary were all satisfactorily addressed at the hearing and that at the hearing PSC Staff recommended approval of the project as stated. Mr. Leas stated he believes Sanitary is attempting to manipulate the purchase of its facilities by the PSD by placing financial pressure on the developers and the citizens of the area by delaying the approval process.

On February 2, 1998, Jefferson County PSD, by counsel, Mr. Rodecker, also filed a reply to Sanitary Associates' response. Mr. Rodecker first took issue with Sanitary submitting a Final Staff Memorandum as an exhibit. Secondly, he pointed out Sanitary had an opportunity to present witnesses to support its position at hearing and now it is too late to complain. Sanitary also could have availed itself of documents filed with the PSC, as it has been actively involved with this case since November 9, 1997, when it filed its first document. Third, the District's area does not include the area served by Sanitary, there are no short falls in funding, and the District does not need to take over Sanitary's business to finance the project, as Sanitary alleges. Lastly, the District stated Sanitary has failed to understand or appreciate the information that has been submitted in this case. By relying on the Staff's memorandum filed before the hearing, Sanitary has ignored the most recent and pertinent information submitted by the District and Staff. This information is included in the exhibits Sanitary responded to following the hearing.

On February 25, 1998, Staff filed Further Final Memoranda stating it had completed its review of the plans and specifications for this project and is of the opinion that the project and the three alternate extension agreements between the District and the developers should be approved. Collectively, Staff's memoranda stated the following.

The project consists of installing approximately 4,200 LF of 18-inch gravity sewer line, 5,150 of 10-inch gravity sewer line, 5,400 of 8-inch gravity sewer line, 40 manholes, 3,000 LF of 6-inch service lines, 5,800 of 6-inch forced main, 100 LF of 12-inch railroad bore, 6,000 square yards of pavement, one 15 HP-313 GPM pump station, and one 1 HP-8GPM grinder pump station. In addition to requiring approximately 140 reconnections of existing service lines, the extension of the Jefferson County PSD's system will serve the three proposed developments by alternate extension

agreements. The developments are Briar Run (400 units), Breckenridge (300 units), and Cambridge (150 units).

In order for the District to serve the Walnut Grove Community and the three proposed developments, a system upgrade and up-sizing is required. The District proposes to provide service to these customers in a manner that is consistent with the Flowing Springs Facilities Plan. Under this plan, the District intends to construct collectors and interceptors in the Flowing Springs and Cattail Run drainage basins and treat the sewage in a proposed sewage treatment plant located near Blair, WV, which will then discharge into the Shenendoah River.

The proposed upgrades and construction takes into consideration the future needs of the District and its customers. During the construction phase of the project the District will construct one new pump station and upgrade another, but the resulting line construction will allow the District to eliminate three other existing pump stations. Once the Flowing Springs interceptor is completed to the proposed sewage treatment plant, the pump station built for this project will be salvaged and all of the flow will be gravity flow from this area to the proposed Blair treatment plant. Therefore, the project is designed to facilitate the District's Flowing Springs Facilities Plan.

The project has not yet been bid, hence, the project costs remain an estimate. The project is estimated to cost approximately $1,842,177. The estimated cost break down is as follows:

Estimated Construction Cost:	
Construction Cost (Subtotal)	$ 1,249,300
Contingency	124,930
Total	$ 1,374,230
Estimated Other Cost:	
Engineering (Design)	$ 72,800
Engineering (Construction)	203,346
Legal	10,000
Accounting	3,000
Rights-of-Way	2,500
Bond Counsel	4,000
Subtotal	$ 295,646
Contingency	29,565
Total	$ 325,211
TOTAL ESTIMATED PROJECT COST:	
Estimated Construction Cost	$1,374,230
Administrative Costs	142,737

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Estimated Other Cost	$ 325,211
TOTAL ESTIMATED COST	$1,842,178

The need for this project is due to the poor repair and functioning of the existing Walnut Grove sewer system, and the addition of the three new housing developments totaling 850 units in the next five years. In addition, this project is the first phase of Jefferson County PSD's Flowing Springs Facilities Plan to serve the residents of Jefferson County.

With the construction of this project and subsequent Flowing Springs Facilities Plan projects, Jefferson County PSD will direct sewer from the Walnut Grove area and the three proposed housing developments to its proposed treatment plant near Blair, WV, all by gravity flow.

According to the 1996 Annual Report, Walnut Grove currently has 161 residential customers. The project will contain approximately 3.9 miles of sewage collection main. Using 161 customers, this translates into a customer density of 41 customers per mile of main. The customer density is reasonable.

The construction cost is estimated at $1,842,178. The total project cost per customer is $11,442. The project cost per customer is acceptable.

As stipulated in the engineering report by Pentree, Inc., the District is currently providing operation and maintenance services to the customers of Walnut Grove. With the implementation of the upgrade, the amount of lines to maintain increases, but the number of pump stations is decreased from three to one. Therefore, no increase in operation and maintenance expenses is expected. Projected operation and maintenance expenses are reasonable.

The plans and specifications for the project have been approved by the West Virginia Division of Environmental Protection (WVDEP) as indicated by a letter dated December 1, 1997, from Ms. Barbara Taylor of the WVDEP. Staff reports no conflicts with the Commission's Rules and Regulations. The project area is within the existing boundaries of Jefferson County PSD, therefore, no boundary expansions are necessary.

The project's sources for financing are the West Virginia Infrastructure and Jobs Development Council, State Revolving Fund and the West Virginia Housing Development Fund. WVHDF also is providing funds up front to the developers of the developments surrounding the Walnut Grove subdivision. The District pays each developer of the subdivisions an amount of $2,790 for each customer provided by the developments ("value of a customer").

This payment reimburses the developer for the WVHDF loan ($575) and the collection system within the subdivision($2215). The District then obtains long term financing from the SRF and WVIJDC for these "developer payments". Commitments for those funds have been received from the WVIJDC, the SRF and the WVHDF.

Total new customers projected in the developments is 850. At $2,790 per customer, the District must borrow $2,371,500 to reimburse the developers in accordance with the alternate sewer main extension agreements. The total Walnut Grove project cost of $1,842,177 will be funded as follows:

SRF	(Wrap*)	@2%,20 yrs.	$ 599,089
WVIJDC	(Wrap*)	@1%,20 yrs.	662,039
WVHDF	(Developer reimbursement@575/cust.)		581,049[1]
Total for Walnut Grove Project			$1,842,177

Extension Agreements:

Total "Developer's Payments' liability"	$2,371,500

* The wrap feature for the SRF and the WVIJDC loans indicates that the SRF loan is paid in full during the first 20 years and the WVIJDC loan is paid off in year 20 through year 40. The District has an average loan payment for 40 years of approximately $36,663, if the WVIJDC has funds available.

The District will bill each customer in accordance with the District's tariff. This will lower the sewer bill for Walnut Grove customers, since the District's tariff rates are lower than the rates of Walnut Grove Utilities. The projected revenues from the Walnut Grove system are sufficient to cover the additional debt service for the project loan and the incremental operation and maintenance expenses.

The alternate main line extension agreements are contingent upon completion of similar agreements between the water company serving these developments, Jefferson Utilities, Inc., and the developers. The basis for each calculation is the portion of the long term debt currently embedded in the water and sewer bills. The agreements are reasonable.

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[1]Staff's second memorandum filed on February 25, 1998, merely corrected a typographical error. Rather than $530,138, the correct developer reimbursement amount is $581,049.

DISCUSSION

Upon consideration of the matters presented at the hearing and subsequent thereto, and Staff's recommendations, the Commission will grant the certificate of convenience and necessity to upgrade the Walnut Grove Community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run developments consistent with the Staff's recommendations. The plan is technically feasible, and desirable given the projected growth of Jefferson County, the inadequacies of the Charles Town sewage treatment plant, and the disrepair/inflow and infiltration problems of the Walnut Grove sewer system.

Sanitary Associates' exceptions and response to the District's exhibits presented at hearing are not persuasive. As previously indicated, counsel for Sanitary Associates, in its response to Jefferson County PSD's exhibits presented at hearing, sought an opportunity to present witnesses. The Commission declines to grant the request as Sanitary was given a reasonable opportunity to fully participate in the case and further delays could affect the currently available funding.

The Commission will also approve the alternate main line extension agreements between the District and the developers as they are reasonable and nondiscriminatory.

Finally, we will also approve the bill collection agreement and the water termination agreement filed with the District's October 29, 1997 application. Our review of these documents finds them to be reasonable and consistent with the Commission's rules, regulations, and case precedent.

FINDINGS OF FACT

1. On August 5, 1997, The West Virginia Housing Development Fund approved a loan under the Land Development Program for the Walnut Grove Sewer Project, which will provide sewer service extensions to Breckenridge, Cambridge, and Briar Run subdivisions, and provide Sanitary Associates with a sewer service extension. See, December 2, 1997 filing of the Jefferson County Public Service District.

2. On October 29, 1997, the Jefferson County Public Service District (District) filed documents which the Executive Secretary's Office treated as an application for an emergency certificate of convenience and necessity to construct the project. Accompanying the application were certain agreements for which the District was seeking regulatory approval. See,

letter from Robert Rodecker to Executive Secretary dated October 29, 1997 and attachments.

3. By letter dated September 17, 1997, the Commission was advised this project was designated as an emergency project by the West Virginia Infrastructure and Jobs Development Council. Pursuant to W.V. Code § 31-15A-8(b), the Commission has only 120 days to process this case. See, September 17, 1997 letter from the West Virginia Infrastructure and Jobs Development Council.

4. On November 14, 1997, Sanitary Associates filed a letter objecting to the District's request for approval of its funding through the West Virginia Housing Fund and Infrastructure Council, and approval of the alternate main line extension agreements entered into by the District and the developers of Cambridge, Breckenridge, and Briar Run subdivisions. See, letter received from Sanitary Associates on November 14, 1997.

5. On November 19, 1997, Staff filed an initial memorandum recommending dismissal of the case because the District's filing did not contain adequate information about the sewer project for Staff to continue its review. See, Initial Joint Staff Memorandum dated November 18, 1997, at pg. 2.

6. On December 1, 1997, the Commission received a second letter of protest from Sanitary Associates discussing the issue of duplication of utility service. See, letter dated November 26, 1997, from Sanitary Associates.

7. On December 2, 1997, the District filed a request for an immediate hearing with the Commission to permit Sanitary Associates to address the issues raised in its two (2) letters. Also on December 2, 1997, the District submitted additional information to address the Staff's initial concerns about the lack of information. See, case file.

8. On January 5, 1998, a Commission Order was entered establishing a hearing in the matter. The hearing was held on January 20, 1998, as scheduled.

9. Following the hearing, the Commission provided Sanitary Associates one week within which to respond to 15 exhibits presented by Jefferson County Public Service District during the hearing. Tr., pg. 61.

10. On January 27, 1998, Counsel for Sanitary Associates filed its response to the exhibits along with a request to be provided with an opportunity to present witnesses and testimony to support its contentions that the project was not cost

effective as proposed and infringes upon the service territory of Sanitary Associates. See, case file.

11. On February 2, 1998, Jefferson County PSD, by counsel, and counsel for the developer of Cambridge, Mr. Leas, filed a reply to Sanitary Associates' response. Id.

12. On February 25, 1998, Staff filed Further Final Memoranda stating it has completed its review of the plans and specifications for this project and is of the opinion that the project and the three alternate extension agreements between the District and the developers should be approved. See, Further Final Joint Staff Memoranda dated February 25, 1998.

13. The proposed upgrades and construction takes into consideration the future needs of the District and its customers. Id.

14. The project is estimated to cost approximately $1,842,177. Id.

15. This project is both convenient and necessary due to disrepair and functioning of the existing Walnut Grove sewer system, the proposed financing covers the costs of the project, and the addition of the three new housing developments totaling 850 units in the next five years will provide housing in a rapid growth area of the State. The projected revenues from the Walnut Grove system are sufficient to cover the additional debt service for the project loan and the incremental operation and maintenance expenses. Id.

16. The plans and specifications for the project have been approved by the West Virginia Division of Environmental Protection. Id.

CONCLUSIONS OF LAW

1. It is reasonable to grant Jefferson County Public Service District a certificate of convenience and necessity to upgrade the Walnut Grove Community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run developments consistent with the recommendations of Commission Staff. See, W.V. Code § 24-2-11.

2. The project is technically feasible, and desirable given the projected growth of Jefferson County, the inadequacies of the Charles Town sewage treatment plant, and the disrepair/inflow and infiltration problems of the Walnut Grove

sewer system.

3. It is reasonable to approve the alternate extension agreements between the District and the developers as well as the bill collection and water termination agreements filed with the application. The agreements are consistent with the Commission's rules, regulations and the law.

ORDER

IT IS THEREFORE ORDERED that the certificate of convenience and necessity to upgrade the Walnut Grove subdivision sewer system, to provide sewer service extensions to Breckenridge, Cambridge and Briar Run subdivisions is granted consistent with Staff's recommendations.

IT IS FURTHER ORDERED that the financing of the project, being a State Revolving Fund loan in the amount of $599,089 at an interest rate not to exceed 2% for 20 years, with a wrap feature, a WVIJDC loan in the amount of $662,039 with an interest rate not to exceed 1% for 20 years, with a wrap feature, a WVHDF loan in the amount of $581,049, based on developer reimbursement of $575 per customer, for a total project cost of $1,842,177 is hereby approved.

IT IS FURTHER ORDERED that if there is a change in any of the costs, scope, terms and conditions or financing of this project, the District shall notify the Commission immediately and request approval of such change.

IT IS FURTHER ORDERED that the three alternate main line extension agreements between the District and the developers of the Breckenridge, Cambridge and Briar Run subdivisions are hereby approved.

IT IS FURTHER ORDERED that the bill collection and water termination agreements that the District proposes to enter into with Jefferson Utilities, Inc., and filed with the District's application shall be, and they hereby are, approved.

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

A True Copy, Teste:

Sandra Neal

Sandra Neal
Executive Secretary

APR 1 0 1998

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 9th day of April, 1998.

CASE NO. 97-1468-PSD-ECN
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
Application for an emergency certificate of convenience and necessity to upgrade the Walnut Grove Community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run subdivisions.

ORDER CLARIFYING THE COMMISSION'S FINAL ORDER

PROCEDURAL HISTORY

On February 26, 1998 the Public Service Commission issued a final order in this matter granting a certificate of convenience and necessity to upgrade the Walnut Grove subdivision sewer system, to provide sewer service extensions to Breckenridge, Cambridge and Briar Run subdivisions. Additionally, the financing of the project, being a State Revolving Fund Loan in the amount of $599,089 at an interest rate not to exceed 2% for 20 years, with a wrap feature, a WVIJDC loan in the amount of $662,039 with an interest rate not to exceed 1% for 20 years, with a wrap feature, a WVHDF loan in the amount of $581,049, based on developer reimbursement of $575 per customer, for a total project cost of $1,842,177, was approved.

On March 19, 1998, Commission Staff filed a post hearing memorandum in response to Sanitary Associates' Response to Comments Submitted to the Public Service Commission and Jefferson County Public Service District's Request for Clarification, both filed with the Commission on March 9, 1998. Sanitary Associates' comments included a revised cash flow analysis and alleged the District is borrowing greater amounts than necessary from the State Revolving Fund to make developer payments.

The Jefferson County Public Service District requested a further order to clarify the ordering paragraph that approved the financing for the project.

In its memorandum filed March 19,1998, Staff states it was unable to identify all amounts in the revised cash flow analysis submitted by Sanitary Associates. There are

payments outlined in a column headed with "WVDF" for $95,000 which Staff does not recognize. Staff also states that the District is borrowing greater amounts than necessary from SRF to make the Developer payments. Other than these observations, Staff states that the results of the revised cash flow schedule should be very similar to Staff's and the District's analysis.

Staff's memorandum indicates that the cash flow analysis agreed to in Staff's final recommendation, filed February 25, 1998, projected 'operational' cash flow for the incremental operations of the District in the Walnut Grove area and the projected developments. The analysis projects revenues based on an average projected consumption of 4500 gallons per customer, projects maintenance and treatment expenses and expected future debt service based on the cost of Walnut Grove improvements and on the customer growth in the developments. The amount remaining is labeled the remaining cash flow surplus. Using the same parameters as the District, Staff was able to duplicate its analysis. Despite variances in calculated debt service amounts (using 2% versus 1%) the cash flow surplus grows from $40,000 in year 1 to over 300,000 in year 10. Although the District loses resale revenue because of the acquisition, every year still shows positive cash flows. Therefore Staff recommends no changes in the final order, except for greater detail about the project's financing plan in the ordering paragraph.

DISCUSSION

Upon review the Order, Sanitary Associates' comments, Jefferson County Public Service District's request and Staff's recommendation, the Commission finds it reasonable to clarify the proposed method of financing and to reiterate the authorization to execute the Bond Anticipation Note. Sanitary Associates' filing was referred to the Secretary's Office as a petition, but in fact is not a petition, just a response to Staff's memorandum. The Commission is of the opinion that neither the Staff memorandum nor Sanitary Associates' response thereto add any issues to the case that have not been previously addressed.

The Commission has approved a loan from the State Revolving Fund in the amount of $599,089 at an interest rate not to exceed 2% for 20 years, a WVIJDC loan in the amount of $662,039 with an interest rate not to exceed 1% for 20 years, and a WVHDF loan of $581,049. The greatest amount that the WVHDF anticipates that it will have invested in the project at any one time will not exceed $950,000. This is due to the fact that the method of financing is a revolving fund whereby the SRF will be providing funds to the District to repay loan proceeds as customers are added to the system.

The District must have authorization to execute the Bond Anticipation Note in the amount of $950,000.00 evidencing the District's borrowing $1,560,000 from the WVHDF on a revolving basis. In order to permit the issuance of bonds sufficient to cover the cost of

the borrowing over a ten year period, the District must be able to issue up to $1,560,000.00 of Bonds, in addition to the bonds to be issued for the $599,089 loan. The authorization for borrowing at this level will not have an impact on user rates.

Accordingly, the Commission finds it reasonable to issue a further order which authorizes the District from time to time to borrow from the State Revolving Fund and to issue bonds in an amount not to exceed $1,560,000.00, in addition to the $599,089 previously authorized, and, on an interim and revolving basis, from time to time to borrow from the WVHDF an aggregate amount not to exceed $1,560,000.00, and to issue a Bond Anticipation Note in an amount not to exceed $950,000.00 to evidence such revolving loan.

FINDINGS OF FACT

1. On February 26, 1998 the Public Service commission filed a final order in this matter granting a certificate of convenience and necessity to upgrade the Walnut Grove subdivision sewer system, to provide sewer service extensions to Breckenridge, Cambridge and Briar Run subdivisions. The financing of the project, for a total cost of $1,842,177 was also approved.

2. On March 9, 1998 Sanitary Associates filed its Response to Comments Submitted to the Public Service Commission and on the same date Jefferson County Public Service District filed its Request for Clarification of the February 26, 1998 order.

3. Sanitary Associates' comments included a revised cash flow analysis and alleged the District is borrowing greater amounts than necessary from the State Revolving Fund to make developer payments.

4. The Jefferson County Public Service District requested a further order to clarify the ordering paragraph that approved the financing for the project.

5. On March 19, 1998, Commission Staff filed a post hearing memorandum in response to Sanitary Associates' Response to Comments Submitted to the Public Service Commission and Jefferson County Public Service District's Request for Clarification.

6. Staff recommends no changes in the final order, except for greater detail about the project's financing plan in the ordering paragraph.

CONCLUSION OF LAW

It is reasonable to issue a further order which authorizes the District to, on occasion, borrow from the State Revolving Fund and to issue bonds in an amount not to exceed

$1,560,000 from the West Virginia Housing and Development Fund on an interim and revolving basis and to, on occasion, borrow from the WVHDF an aggregate amount not to exceed $1,560,000 and to issue a Bond Anticipation Note in an amount not to exceed $950,000 to evidence such revolving loan.

ORDER

IT IS THEREFORE ORDERED that the District is authorized to on occasion, borrow from the State Revolving Fund and to issue bonds in an amount not to exceed $1,560,000 from the West Virginia Housing and Development Fund on an interim and revolving basis and to, on occasion, borrow from the WVHDF an aggregate amount not to exceed $1,560,000.

IT IS FURTHER ORDERED the District may issue a Bond Anticipation Note in an amount not to exceed $950,000 to evidence such revolving loan.

IT IS FURTHER ORDERED that the February 26, 1998 Commission Final Order in this matter is a final Commission Order, except as herein modified.

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

A True Copy, Teste:

Sandra Neal

Sandra Neal
Executive Secretary

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 15th day of June, 1998.

CASE NO. 97-1468-PSD-ECN (Reopened)

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
Application for an emergency certificate of convenience and necessity to upgrade the Walnut Grove Community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run subdivisions.

COMMISSION ORDER

By Order entered February 26, 1998, the Commission granted a certificate of convenience and necessity to upgrade the Walnut Grove community area sewage collection system and extend Jefferson County Public Service District's system to serve the Cambridge, Breckenridge and Briar Run developments, consistent with Commission Staff's (Staff) recommendations. The Commission also approved financing for the proposed project, estimated at $1,842,177. The Commission also rejected exceptions to the District's proposed project(s) filed by Sanitary Associates and approved three (3) alternate sewer main line extension agreements between the District and developers. Finally, the Commission approved the bill collection and water termination agreements filed as part of the District's application for an emergency certificate.[1]

On March 9, 1998, the District filed a request for clarification of the Commission's February 26, 1998 order on the grounds that District had not fully explained the proposed method of financing associated with the proposed project. The District requested that the Commission issue a further order which authorized the District to borrow, from time to time, additional funds from the State Revolving Fund (SRF) and West Virginia Housing Development Fund (WVHDF), and to issue

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[1]On March 30, 1998, Sanitary Associates filed a petition for appeal of the Commission's February 26, 1998 order with the Supreme Court of Appeals of West Virginia. See Sanitary Associates v. Public Service Commission, et al., Case No. 980984 (W. Va.). On May 26, 1998, Sanitary Associates filed a motion for leave to withdraw its petition for appeal on the grounds that the parties to the appeal had settled the matter. On May 27, 1998, the Court granted Sanitary Associates' motion to withdraw its petition for appeal.

bonds.

By Order entered April 9, 1998, the Commission clarified its February 26, 1998 order by granting the District's request that it be allowed to borrow additional sums from the SRF and WVHDF.

The procedural history of this proceeding, as well as a description of the project and the funding therefor, is set forth in detail in the Commission's February 26, 1998 and April 9, 1998 orders. The Commission adopts and incorporates, as if fully restated herein, its prior discussion of the procedural history of this proceeding and description of the project and funding therefor, set forth in said orders.

On June 4, 1998, the District filed a request seeking Commission approval of additional funding for the certificated project. As grounds therefor, the District advised that the bids for the project, which the District received on April 7, 1998, were higher than anticipated. Such bids increased the cost of the project by $140,071.00 and the District requested additional financing from the West Virginia Infrastructure and Jobs Development Council (WVIJDC). The District further provided a copy of a letter from the WVIJDC, dated May 28, 1998, approving additional grant funds in the amount of $140,071.00. The District further advised that the closing on financing for the certificated project was scheduled to take place on June 23, 1998, and therefore requested that the Commission promptly approve its request.

On June 9, 1998, Staff filed an Initial and Final Joint Staff Memorandum recommending that the Commission reopen and retain this proceeding and approve the District's request for approval of additional funding, in the amount of $140,071.00 for the certificated project.

UPON CONSIDERATION WHEREOF, the Commission concludes that this proceeding should be reopened and retained by the Commission. Further, the Commission concludes that the District's June 4, 1998 request for approval of additional funding, in the amount of $140,071.00, should be approved expeditiously in light of the closing on financing for the project scheduled to occur on June 23, 1998.

ORDER

IT IS, THEREFORE, ORDERED that this proceeding should be, and hereby is, reopened and retained by the Commission for final disposition.

IT IS FURTHER ORDERED that the Jefferson County Public Service District's request for approval of additional financing, in the form of a $140,071.00 grant from the West Virginia Infrastructure and Jobs Development Council, filed with the Commission on June 4, 1998, is hereby approved. . . . .

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

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

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

A True Copy, Teste:

ARC

PWP/pwp

Sandra Squire

Sandra Squire
Executive Secretary

West Virginia Infrastructure & Jobs Development Council

Public Members:
James D. Williams, Chairman
St. Albans
James L. Harrison, Sr., Vice Chairman
Princeton
Lloyd P. Adams, P.E.
Wheeling
Sheirl L. Fletcher
Morgantown

1320 One Valley Square
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Susan J. Riggs, Esquire
Executive Secretary

August 8, 1997

William B. Stine, General Manager
Jefferson County Public Service District
210 West 3rd Ave.
Ranson, WV 25438

Re: Wastewater System Upgrade and Extension Project 97S-327

Dear Mr. Stine:

The West Virginia Infrastructure and Jobs Development Council (Council) has reviewed the Jefferson County Public Service District's (District) preliminary application regarding a proposed project to upgrade the existing wastewater system which serves the Walnut Grove Subdivision and extend service to three new housing developments (Project). Based on the findings of the Sewer Technical Review Committee, the 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. The District may need to address certain issues raised in said comments as it proceeds with the Project.

Pursuant to its review of the preliminary application, the Council recommends the District pursue permanent financing of a State Revolving Fund loan of $544,000 and an Infrastructure Fund loan of $662,039. In addition, the District should pursue a State Revolving Fund loan of up to $1,560,000, and a West Virginia Housing Development Fund loan of $950,000 under those certain terms and conditions which will be identified by these funding sources prior to closing. Please contact the Division of Environmental Protection at 558 0641 for specific information on the steps the District needs to follow to apply for this funding. The Council's final decision regarding the specific funding of the Project is deferred pending final determination of the Project's eligibility and readiness to proceed, and availability of funds in the Infrastructure Fund. Currently, no funds are available in the Infrastructure Fund. **Please note that this letter <u>does not</u> constitute funding approval from these agencies.**

If you have any questions regarding this matter, please contact Susan J. Riggs at (304) 558-4607.

Sincerely,

James D. Williams

JDW/bh
Enclosure
cc: Mike Johnson, P.E.
Randy Moore
Wil Smith, P.E.
Kenneth E. Green

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

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 Jefferson County Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 25th day of June, 1998, the Authority received the Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), of the Issuer (the "Series 1998 B Bonds"), in the principal amount of $599,089, numbered BR-1, and the Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), of the Issuer (the "Series 1998 C Bonds"), in the principal amount of $662,039, numbered CR-1, both issued as a single, fully registered Bond, and both dated June 25, 1998.

2. At the time of such receipt, all the Series 1998 B Bonds and the Series 1998 C Bonds had been executed by the Chairman and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 1998 B Bonds, of $57,956, being a portion of the principal amount of the Series 1998 B Bonds. The balance of the principal amount of the Series 1998 B Bonds will be advanced by the Authority and the West Virginia Division of Environmental Protection to the Issuer as acquisition and construction of the Project progresses.

4. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 1998 C Bonds, of $33,102, being a portion of the principal amount of the Series 1998 C Bonds. The balance of the principal amount of the Series 1998 C Bonds will be advanced by the Authority and the West Virginia Infrastructure and Jobs Development Council to the Issuer as acquisition and construction of the Project progresses.

WITNESS our respective signatures on this 25th day of June, 1998.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Authorized Representative

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Chairman

06/15/98
450260/94001

CL448806.1

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

One Valley Bank, National Association,
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. BR-1, constituting the entire original issue of Jefferson County Public Service District Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), in the principal amount of $599,089 (the "Series 1998 B Bonds"), and Bond No. CR-1, constituting the entire original issue of Jefferson County Public Service District Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), in the principal amount of $662,039 (the "Series 1998 C Bonds"), both dated June 25, 1998 (collectively, the "Bonds"), executed by the Chairman and Secretary of Jefferson County Public Service District (the "Issuer") and bearing the official seal of the Issuer, respectively authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on June 18, 1998, and a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (collectively, the "Bond Legislation");

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

(3) Executed counterparts of a loan agreement for the Series 1998 B Bonds, dated June 2, 1998, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Environmental Protection, and a loan agreement for the Series 1998 C Bonds, dated June 25, 1998, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (collectively, the "Loan Agreements"); and

(4) Executed opinions of nationally recognized bond counsel regarding the validity of the Loan Agreements and the Bonds.

You are hereby requested and authorized to deliver the Series 1998 B Bonds to the Authority upon payment to the Issuer of the sum of $57,956, representing a portion of the principal amount of the Series 1998 B Bonds. You are also hereby requested and authorized to deliver the Series 1998 C Bonds to the Authority upon payment to the Issuer of the sum of $33,102, representing a portion of the principal amount of the Series 1998 C Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

Dated this 25th day of June, 1998.

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

Stanley E. Zombro
Chairman

06/15/98
450260/94001

(SPECIMEN SERIES 1998 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 1998 B
(WEST VIRGINIA SRF PROGRAM)

No. BR-1 $599,089

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of FIVE HUNDRED NINETY-NINE THOUSAND EIGHTY-NINE DOLLARS ($599,089), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with no 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 September 1, 1999, as set forth on said EXHIBIT B.

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 Loan Agreement by and among the Issuer, the Authority and the DEP, dated June 2, 1998.

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 facilities of the Issuer (the "Project"); (ii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii) to pay certain costs of issuance hereof and related costs. The existing

public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 18, 1998, and a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (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 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS"); (2) SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $971,000 (THE "SERIES 1993 A BONDS"); (3) SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, DATED FEBRUARY 15, 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,430,000 (THE "SERIES 1998 A BONDS") (THE SERIES 1988 B BONDS, THE SERIES 1993 A BONDS AND THE SERIES 1998 A BONDS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS"); AND (4) SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 25, 1998, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $662,039 (THE "SERIES 1998 C 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, WITH THE ISSUER'S SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1998 (WEST VIRGINIA HOUSING DEVELOPMENT FUND), DATED JUNE 25, 1998, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $950,000 (THE "NOTES").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1998 C Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, 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 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, if any, hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 C Bonds; provided however, that when the Series 1998 A Bonds are no longer outstanding and so long as there exists in the Series 1998 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

IN WITNESS WHEREOF, JEFFERSON COUNTY 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 June 25, 1998.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 25, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$57,956	6-25-98	(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

Jefferson County PSD, WV
SRF Fund Loan
$599,089, 20 Years, 0% Interest, 1% Admin. Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/1999	-	-	-
9/01/1999	7,489.00	-	7,489.00
12/01/1999	7,489.00	-	7,489.00
3/01/2000	7,489.00	-	7,489.00
6/01/2000	7,489.00	-	7,489.00
9/01/2000	7,489.00	-	7,489.00
12/01/2000	7,489.00	-	7,489.00
3/01/2001	7,489.00	-	7,489.00
6/01/2001	7,489.00	-	7,489.00
9/01/2001	7,489.00	-	7,489.00
12/01/2001	7,489.00	-	7,489.00
3/01/2002	7,489.00	-	7,489.00
6/01/2002	7,489.00	-	7,489.00
9/01/2002	7,489.00	-	7,489.00
12/01/2002	7,489.00	-	7,489.00
3/01/2003	7,489.00	-	7,489.00
6/01/2003	7,489.00	-	7,489.00
9/01/2003	7,489.00	-	7,489.00
12/01/2003	7,489.00	-	7,489.00
3/01/2004	7,489.00	-	7,489.00
6/01/2004	7,489.00	-	7,489.00
9/01/2004	7,489.00	-	7,489.00
12/01/2004	7,489.00	-	7,489.00
3/01/2005	7,489.00	-	7,489.00
6/01/2005	7,489.00	-	7,489.00
9/01/2005	7,489.00	-	7,489.00
12/01/2005	7,489.00	-	7,489.00
3/01/2006	7,489.00	-	7,489.00
6/01/2006	7,489.00	-	7,489.00
9/01/2006	7,489.00	-	7,489.00
12/01/2006	7,489.00	-	7,489.00
3/01/2007	7,489.00	-	7,489.00
6/01/2007	7,489.00	-	7,489.00
9/01/2007	7,489.00	-	7,489.00
12/01/2007	7,489.00	-	7,489.00
3/01/2008	7,489.00	-	7,489.00
6/01/2008	7,489.00	-	7,489.00
9/01/2008	7,489.00	-	7,489.00
12/01/2008	7,489.00	-	7,489.00
3/01/2009	7,489.00	-	7,489.00
6/01/2009	7,489.00	-	7,489.00
9/01/2009	7,489.00	-	7,489.00
12/01/2009	7,489.00	-	7,489.00
3/01/2010	7,489.00	-	7,489.00
6/01/2010	7,489.00	-	7,489.00

Jefferson County PSD, WV
SRF Fund Loan
$599,089, 20 Years, 0% Interest, 1% Admin. Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2010	7,489.00	-	7,489.00
12/01/2010	7,489.00	-	7,489.00
3/01/2011	7,489.00	-	7,489.00
6/01/2011	7,489.00	-	7,489.00
9/01/2011	7,489.00	-	7,489.00
12/01/2011	7,488.00	-	7,488.00
3/01/2012	7,488.00	-	7,488.00
6/01/2012	7,488.00	-	7,488.00
9/01/2012	7,488.00	-	7,488.00
12/01/2012	7,488.00	-	7,488.00
3/01/2013	7,488.00	-	7,488.00
6/01/2013	7,488.00	-	7,488.00
9/01/2013	7,488.00	-	7,488.00
12/01/2013	7,488.00	-	7,488.00
3/01/2014	7,488.00	-	7,488.00
6/01/2014	7,488.00	-	7,488.00
9/01/2014	7,488.00	-	7,488.00
12/01/2014	7,488.00	-	7,488.00
3/01/2015	7,488.00	-	7,488.00
6/01/2015	7,488.00	-	7,488.00
9/01/2015	7,488.00	-	7,488.00
12/01/2015	7,488.00	-	7,488.00
3/01/2016	7,488.00	-	7,488.00
6/01/2016	7,488.00	-	7,488.00
9/01/2016	7,488.00	-	7,488.00
12/01/2016	7,488.00	-	7,488.00
3/01/2017	7,488.00	-	7,488.00
6/01/2017	7,488.00	-	7,488.00
9/01/2017	7,488.00	-	7,488.00
12/01/2017	7,488.00	-	7,488.00
3/01/2018	7,488.00	-	7,488.00
6/01/2018	7,488.00	-	7,488.00
9/01/2018	7,488.00	-	7,488.00
12/01/2018	7,488.00	-	7,488.00
3/01/2019	7,488.00	-	7,488.00
6/01/2019	7,488.00	-	7,488.00
TOTAL	599,089.00	-	599,089.00 *

*Plus $758.21 one-percent administrative fee paid quarterly. Total fee paid over the life of the loan is $60,656.80.

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(SPECIMEN SERIES 1998 C BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1998 C
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. CR-1 $662,039

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson 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 SIX HUNDRED SIXTY-TWO THOUSAND THIRTY-NINE DOLLARS ($662,039), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2019, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2019, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated June 25, 1998.

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 facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds")and related costs. The existing public sewerage facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on June 18, 1998, and a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (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 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS"); (2) SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $971,000 (THE "SERIES 1993 A BONDS"); (3) SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, DATED FEBRUARY 15 , 1998, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,430,000 (THE "SERIES 1998 A BONDS") (THE SERIES 1988 B BONDS, THE SERIES 1993 A BONDS AND THE SERIES 1998 A BONDS ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS"); AND (4) SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM), DATED JUNE 25, 1998, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $599,089 (THE "SERIES 1998 B 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, WITH THE ISSUER'S SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1998 (WEST VIRGINIA HOUSING DEVELOPMENT FUND), DATED JUNE 25, 1998, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $950,000 (THE "NOTES").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the

Series 1998 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 C 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 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 1998 C Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds; provided however, that when the Series 1998 A Bonds are no longer outstanding and so long as there exists in the Series 1998 C Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 1998 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created

and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

IN WITNESS WHEREOF, JEFFERSON COUNTY 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 June 25, 1998.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 C 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 25, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

_____

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$33,102	6-25-98	(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

Jefferson County Public Service District
$662,039
Infrastructure Fund Loan

Term (Yrs.): 40 Loan Rate: 1.00%

First Payment: 09/01/19 Final Payment: 6/1/38

Date	#	Principal	Interest	Total
6/1/98		-	-	-
9/1/98		-	-	-
12/1/98		-	-	-
3/1/99		-	-	-
6/1/99		-	-	-
9/1/99		-	-	-
12/1/99		-	-	-
3/1/00		-	-	-
6/1/00		-	-	-
9/1/00		-	-	-
12/1/00		-	-	-
3/1/01		-	-	-
6/1/01		-	-	-
9/1/01		-	-	-
12/1/01		-	-	-
3/1/02		-	-	-
6/1/02		-	-	-
9/1/02		-	-	-
12/1/02		-	-	-
3/1/03		-	-	-
6/1/03		-	-	-
9/1/03		-	-	-
12/1/03		-	-	-
3/1/04		-	-	-
6/1/04		-	-	-
9/1/04		-	-	-
12/1/04		-	-	-
3/1/05		-	-	-
6/1/05		-	-	-
9/1/05		-	-	-
12/1/05		-	-	-
3/1/06		-	-	-
6/1/06		-	-	-
9/1/06		-	-	-
12/1/06		-	-	-
3/1/07		-	-	-
6/1/07		-	-	-
9/1/07		-	-	-
12/1/07		-	-	-
3/1/08		-	-	-

Marquette de Bary Co.
Incorporated

Sheet1
6/16/98
12:10 PM

6/1/08		-	-	-
9/1/08		-	-	-
12/1/08		-	-	-
3/1/09		-	-	-
6/1/09		-	-	-
9/1/09		-	-	-
12/1/09		-	-	-
3/1/10		-	-	-
6/1/10		-	-	-
9/1/10		-	-	-
12/1/10		-	-	-
3/1/11		-	-	-
6/1/11		-	-	-
9/1/11		-	-	-
12/1/11		-	-	-
3/1/12		-	-	-
6/1/12		-	-	-
9/1/12		-	-	-
12/1/12		-	-	-
3/1/13		-	-	-
6/1/13		-	-	-
9/1/13		-	-	-
12/1/13		-	-	-
3/1/14		-	-	-
6/1/14		-	-	-
9/1/14		-	-	-
12/1/14		-	-	-
3/1/15		-	-	-
6/1/15		-	-	-
9/1/15		-	-	-
12/1/15		-	-	-
3/1/16		-	-	-
6/1/16		-	-	-
9/1/16		-	-	-
12/1/16		-	-	-
3/1/17		-	-	-
6/1/17		-	-	-
9/1/17		-	-	-
12/1/17		-	-	-
3/1/18		-	-	-
6/1/18		-	-	-
9/1/18		-	-	-
12/1/18		-	-	-
3/1/19		-	-	-
6/1/19		-	-	-
9/1/19	1	7,920.83	1,655.09	9,575.62
12/1/19	2	7,940.33	1,635.30	9,575.63
3/1/20	3	7,960.18	1,615.44	9,575.62

6/1/20	4	7,980.08	1,595.55	9,575.63
9/1/20	5	8,000.04	1,575.59	9,575.63
12/1/20	6	8,020.04	1,555.60	9,575.64
3/1/21	7	8,040.09	1,535.54	9,575.63
6/1/21	8	8,060.19	1,515.45	9,575.64
9/1/21	9	8,080.34	1,495.29	9,575.63
12/1/21	10	8,100.54	1,475.10	9,575.64
3/1/22	11	8,120.79	1,454.84	9,575.63
6/1/22	12	8,141.09	1,434.54	9,575.63
9/1/22	13	8,161.44	1,414.18	9,575.62
12/1/22	14	8,181.85	1,393.79	9,575.64
3/1/23	15	8,202.30	1,373.32	9,575.62
6/1/23	16	8,222.81	1,352.83	9,575.64
9/1/23	17	8,243.36	1,332.26	9,575.62
12/1/23	18	8,263.97	1,311.66	9,575.63
3/1/24	19	8,284.63	1,290.99	9,575.62
6/1/24	20	8,305.34	1,270.29	9,575.63
9/1/24	21	8,326.11	1,249.52	9,575.63
12/1/24	22	8,346.92	1,228.71	9,575.63
3/1/25	23	8,367.79	1,207.84	9,575.63
6/1/25	24	8,388.71	1,186.93	9,575.64
9/1/25	25	8,409.68	1,165.94	9,575.62
12/1/25	26	8,430.71	1,144.93	9,575.64
3/1/26	27	8,451.78	1,123.84	9,575.62
6/1/26	28	8,472.91	1,102.72	9,575.63
9/1/26	29	8,494.09	1,081.53	9,575.62
12/1/26	30	8,515.33	1,060.31	9,575.64
3/1/27	31	8,536.62	1,039.01	9,575.63
6/1/27	32	8,557.96	1,017.68	9,575.64
9/1/27	33	8,579.35	996.27	9,575.62
12/1/27	34	8,600.80	974.83	9,575.63
3/1/28	35	8,622.30	953.32	9,575.62
6/1/28	36	8,643.86	931.77	9,575.63
9/1/28	37	8,665.47	910.16	9,575.63
12/1/28	38	8,687.13	888.50	9,575.63
3/1/29	39	8,708.85	866.77	9,575.62
6/1/29	40	8,730.62	845.01	9,575.63
9/1/29	41	8,752.45	823.18	9,575.63
12/1/29	42	8,774.33	801.30	9,575.63
3/1/30	43	8,796.27	779.36	9,575.63
6/1/30	44	8,818.26	757.38	9,575.64
9/1/30	45	8,840.30	735.32	9,575.62
12/1/30	46	8,862.40	713.23	9,575.63
3/1/31	47	8,884.56	691.07	9,575.63
6/1/31	48	8,906.77	668.86	9,575.63
9/1/31	49	8,929.04	646.59	9,575.63
12/1/31	50	8,951.36	624.27	9,575.63
3/1/32	51	8,973.74	601.89	9,575.63

6/1/32	52	8,996.17	579.46	9,575.63
9/1/32	53	9,018.66	556.96	9,575.62
12/1/32	54	9,041.21	534.42	9,575.63
3/1/33	55	9,063.81	511.81	9,575.62
6/1/33	56	9,086.47	489.16	9,575.63
9/1/33	57	9,109.19	466.44	9,575.63
12/1/33	58	9,131.96	443.67	9,575.63
3/1/34	59	9,154.79	420.83	9,575.62
6/1/34	60	9,177.68	397.96	9,575.64
9/1/34	61	9,200.62	375.00	9,575.62
12/1/34	62	9,223.62	352.01	9,575.63
3/1/35	63	9,246.68	328.94	9,575.62
6/1/35	64	9,269.80	305.83	9,575.63
9/1/35	65	9,292.98	282.65	9,575.63
12/1/35	66	9,316.21	259.43	9,575.64
3/1/36	67	9,339.50	236.13	9,575.63
6/1/36	68	9,362.85	212.79	9,575.64
9/1/36	69	9,386.25	189.37	9,575.62
12/1/36	70	9,409.72	165.92	9,575.64
3/1/37	71	9,433.24	142.38	9,575.62
6/1/37	72	9,456.83	118.81	9,575.64
9/1/37	73	9,480.47	95.16	9,575.63
12/1/37	74	9,504.17	71.46	9,575.63
3/1/38	75	9,527.93	47.69	9,575.62
6/1/38	76	9,551.72	23.88	9,575.60
		$ 662,039.00	$ 65,708.85	$ 727,747.79

Summary Statistics:

Average Annual Cost -	$18,193.69
Average Life -	30.925
Average Interest Rate -	0.4750%
Net Interest Cost (NIC)	0.3209%
True Interest Cost (TIC)	0.3102%
Tax Yield (I.R.C. Section 148)	0.3102%
All-in Yield (AIC)	0.3102%

Data for Form 8038:

	Line 19:	Line 20:
(a)	6/1/38	N/A
(b)	1.000%	N/A
(c)	$9,551.72	$662,039.00
(d)	$9,551.72	$662,039.00
(e)	N/A	30.925
(f)	N/A	0.3102%
(g)	N/A	0.3209%

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER
SIXTH FLOOR
P. O. BOX 2190
CLARKSBURG, W. VA. 26302-2190
(304) 624-8000
FACSIMILE (304) 624-8183

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

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-6000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 262-3541

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

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
P. O. BOX 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program)

Jefferson County Public Service District
Ranson, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of
Environmental Protection
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Jefferson County 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 $599,089 Sewer Revenue Bonds, Series 1998 B (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 loan agreement dated June 2, 1998, including all schedules and exhibits attached thereto (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") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending June 1, 2019, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued 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 a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 18, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

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

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the 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 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System 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 Sewer Revenue Bonds, Series 1988 B, Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), Sewer Refunding Revenue Bonds, Series 1998 A, and Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), all in accordance with the terms of the Bonds and the Bond Legislation.

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

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

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

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

Very truly yours,

Steptoe & Johnson

STEPTOE & JOHNSON

06/17/98
450260/94001

STEPTOE & JOHNSON
ATTORNEYS AT LAW
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1000 HAMPTON CENTER
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RILEY BUILDING, FOURTH FLOOR
14TH AND CHAPLINE STREETS
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WRITER'S DIRECT DIAL NUMBER

June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 C (West Virginia Infrastructure Fund)

Jefferson County Public Service District
Ranson, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Jefferson County 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 $662,039 Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated June 25, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal and interest to the Authority, bearing interest at 1% per annum, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2019, and ending June 1, 2038, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of

(i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on June 18, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

In connection with the issuance of the Bonds, the Issuer has executed a Certificate as to Arbitrage, dated as of the date hereof (the "Certificate as to Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

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 referred to in the Loan Agreement and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

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

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

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System 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 Sewer Revenue Bonds, Series 1988 B, Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), Sewer Refunding Revenue Bonds, Series 1998 A, and Sewer Revenue Bonds,

Series 1998 B (West Virginia SRF Program), all in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. 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.

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

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

Very truly yours,

Steptoe & Johnson

STEPTOE & JOHNSON

06/12/98
450260/94001

CL448863.1

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JOHN C. SKINNER, JR.
F. SAMUEL BYRER
DEBORAH BARR HILLYARD
STEPHEN GIBSON SKINNER

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CHARLES TOWN, WV 25414-0487

June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

Jefferson County Public Service District
Ranson, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of
Environmental Protection
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ladies and Gentlemen:

We are counsel to Jefferson County Public Service District, a public service district, in Jefferson County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinions of Steptoe & Johnson, as bond counsel, a loan agreement for the Series 1998 B Bonds dated June 2, 1998, including all schedules and exhibits attached thereto, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection ("DEP"), a loan agreement for the Series 1998 C Bonds dated June 23, 1998, including all schedules and exhibits attached thereto, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (collectively, the "Loan Agreements"), the Bond Resolution duly adopted by the Issuer on June 18, 1998, as supplemented

by the Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (collectively, the "Bond Legislation"), orders of The County Commission of Jefferson 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") . Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreements when used herein.

We are 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 Loan 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 Loan Agreements and the consummation of the transactions contemplated by the Bonds, the Loan 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 order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Jefferson County and the West Virginia Infrastructure and Jobs Development Council, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges.

7. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan 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.

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

Very truly yours,

Nichols & Skinner, L.C.

06/17/98
450260/94001

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June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)
and Sewage System Construction Notes
Series 1998 (West Virginia Housing Development Fund)

Jefferson County Public Service District
210 West Third Avenue
Ranson, West Virginia 25438

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

West Virginia Division of Environmental Protection
Charleston, West Virginia 25305

West Virginia Infrastructure and Jobs
Development Council
980 One Valley Square
Charleston, West Virginia 25301

West Virginia Housing Development Fund
814 Virginia Street, East
Charleston, West Virginia 25301

Steptoe & Johnson
Post Office Box 2190
Clarksburg, West Virginia 26302-2190

Ladies and Gentlemen:

I am counsel to Jefferson County Public Service District, a public service district, in Jefferson County, West Virginia (the "Issuer"), in connection with certain matters before the Public Service Commission of West Virginia. As such counsel, I am of the opinion that:

1. The Issuer has received all requisite orders and approvals from the Public Service Commission of West Virginia,

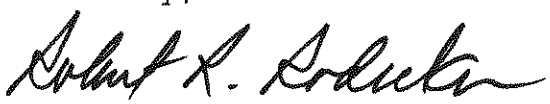
13B

including the Final Orders entered on February 26, 1998, April 9, 1998 and June 15, 1998, in Case No. 97-1468-PSD-ECN, among other things, granting to the Issuer an emergency certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the latest Final Order has not expired prior to the date hereof. However, the Issuer has stated that it does not intend to appeal such Order, the Staff of the Public Service Commission does not have the statutory right to file an appeal of a decision of the Commission, and the Intervenor in said proceeding, has in a Memorandum of Understanding dated may 8, 1998, stated that it would inform the Clerk of the Supreme Court of Appeals of the fact that it formally withdraws an appeal of the Commission's decision and that it would inform the Executive Secretary of the Commission that it officially withdraws as an Intervenor in said proceeding and that it would not thereafter seek a reopening of said proceeding. The Intervenor has withdrawn its appeal from the Supreme Court of Appeals and the Order permitting said withdrawal has been entered by the Public Service Commission into its files. While the Intervenor has not formally informed the Executive Secretary of the Commission of its withdrawal as an Intervenor in the Commission proceeding, the undersigned is of the opinion that the Intervenor is bound by the Memorandum of Understanding and that it would be estopped from filing an appeal of the June 15, 1998 Order of the Commission.

2. Pursuant to Chapter 31, Article 15A, Section 8 of the West Virginia Code of 1931, as amended, the Issuer is exempt from the prefiling and approval requirements under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, in connection with this Project.

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

Sincerely,



Robert R. Rodecker

RRR/bg

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June 16, 1998

Ms. Rosalie Brodersen
West Virginia Div. of Env. Protection
617 Broad Street
Charleston, West Virginia 25301

Mr. Randy Moore
West Virginia Housing Dev. Fund
814 Virginia Street East
Charleston, West Virginia 25301

Susan J. Riggs, Esquire
West Virginia Infrastructure & Jobs
Development Council
980 One Valley Square
Charleston, WV 25301

Re: Jefferson County Public Service District
Wastewater System Upgrade and Extension Project 87S-327

Ladies and Gentlemen:

I have been asked to provide a title opinion for the easements and rights of way necessary for the construction of the wastewater system upgrade and extension project, and for the operation and maintenance of the system, and based upon my review of the records in the office of the Clerk of the County Commission of Jefferson County, West Virginia, and the documents hereinafter mentioned, I render the following opinions:

The District is a duly created and existing public service district with all the powers and authority granted to public service districts under the laws of the state of West Virginia and as such, has the full power and authority to construct, operate and maintain the sewage collection and treatment system and upgrade.

In order to construct, operate and maintain the system, the District has acquired rights of way and easements so that the Wastewater System Upgrade and Extension Project might be constructed, it is necessary for the District to cross approximately 26 individual parcels of property.

As of June 16, 1998, easements representing 22 parcels have been obtained by the District. Four rights of entry have been obtained through condemnation.

Additionally, other necessary easements were acquired from a transaction with Walnut Grove Utilities, Inc. The transaction with Walnut Grove Utilities, Inc. occurred on February 18, 1998.

There are no parcels of property that need to be purchased.

All information provided herein regarding the number of necessary easements and the easements necessary for the project are solely a result of my communications with William B. Stine, former General Manager of the District, Calvin Fleming, General Manager of the District, other employees of the District, and Wilbur Smith, P.E., Pentree, Inc.

Very truly yours

NICHOLS & SKINNER, L. C.

Stephen Gibson Skinner

cc: Jefferson County Public Service District

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JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENTS
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING
16. SPECIMEN BONDS
17. CONFLICT OF INTEREST
18. CLEAN WATER ACT
19. OTHER FUNDING

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Jefferson County Public Service District in Jefferson County, West Virginia (the "Issuer"), and the undersigned Counsel to the Issuer, hereby certify in connection with the Issuer's Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), and Series 1998 C (West Virginia Infrastructure Fund), both dated the date hereof (collectively, the "Bonds" or the "Series 1998 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 18, 1998, and the Supplemental Resolution duly adopted June 18, 1998 (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 Net Revenues or the pledge thereof.

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 respective Loan Agreements, and the Issuer has met all conditions prescribed in the respective Loan Agreements. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Series 1998 Bonds as to liens, pledge and source of and security for payment, being the (1) Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of $425,767 (the "Series 1988 B Bonds"); (2) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of $971,000 (the "Series 1993 A Bonds"); and (3) Sewer Refunding Revenue Bonds, Series 1998 A, dated February 15, 1998, issued in the original aggregate principal amount of $2,430,000 (the "Series 1998 A Bonds"). The Series 1988 B Bonds, the Series 1993 A Bonds and the Series 1998 A Bonds are hereinafter collectively referred to as the "Prior Bonds."

The Series 1998 Bonds shall be issued on a parity with each other and with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer is in compliance with all the covenants of the Prior Resolutions. The Issuer has obtained a certificate of an Independent Certified Public Accountant stating that the parity test of the Prior Bonds is met and the written consent of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds to the issuance of the Series 1998 Bonds

on a parity with the Series 1988 B Bonds and the Series 1993 A Bonds. The Issuer is not required to obtain the consent of the Holders of the Series 1998 A 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 will be issuing its Sewerage System Construction Notes, Series 1998 (West Virginia Housing Development Fund) (the "Notes"), simultaneously with the issuance of the Series 1998 Bonds. The Notes shall be issued junior and subordinate to the Series 1998 Bonds and the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Notes shall not be payable from or secured by Net Revenues, but shall be payable from and secured by a first lien on (i) the proceeds of any grants or other financial assistance to be received by the Issuer for the System, (ii) the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer, issued subsequent to the issuance of the Notes to permanently finance the cost of acquisition and construction of the Project (but not the proceeds of the Series 1998 Bonds), (iii) Surplus Revenues, if any, derived from the operation of the System, and (iv) the LOC.

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

SRF Loan Agreement

IFC Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

NPDES Permit

Evidence of West Virginia Housing Development Fund Loan

Evidence of Infrastructure Council Grant

1988 Bond Resolution and Supplemental Resolution

1993 Bond Resolution and Supplemental Resolution

1998 Bond Resolution and Supplemental Resolution

Consent of Prior Bondholder

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Jefferson County Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Jefferson 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 three duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Stanley Zombro	December, 1995	December, 2001
Carole Hall	December, 1993	December, 1999
Carl Schultz, III	December, 1997	December, 2003

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 1998 are as follows:

Chairman	-	Stanley Zombro
Secretary	-	Carole Hall
Treasurer	-	Carl Schultz, III

The duly appointed and acting counsel to the Issuer is Nichols & Skinner, L.C., in Charles Town, 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 Loan Agreements is in full force and effect.

10. LOAN AGREEMENTS: As of the date hereof, (i) the representations of the Issuer contained in the respective Loan Agreements are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreements 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 Loan Agreements which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreements not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations in the Loan Agreements.

11. RATES: The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on January 31, 1992, in Case No. 91-163-PSD-42A, approving the rates and charges for the services of the System, and has

adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof without any appeal, and such rates and charges will become effective upon completion of the Project.

12. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on February 26, 1998, April 9, 1998, and June 15, 1998, in Case No. 97-1468-PSD-ECN, among other things, granting to the Issuer an emergency certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the latest Final Order has not expired prior to the date hereof. The Issuer hereby certifies that it will not appeal such Final Order.

13. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond for each series, numbered BR-1 and CR-1, respectively, all 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 Loan Agreements. Said official seal is also impressed above the signatures appearing on this certificate.

14. BOND PROCEEDS: On the date hereof, the Issuer received $57,956 from the Authority and the DEP, being a portion of the principal amount of the Series 1998 B Bonds. On the date hereof, the Issuer also received $33,102 from the Authority and the Council, being a portion of the principal amount of the Series 1998 C Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

15. PUBLICATION OF NOTICE OF BORROWING AND 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, the issuance of the Bonds and 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 31, Article 15A, Section 8 of the Official West Virginia Code of 1931, as amended.

16. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Bonds.

17. 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.

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

19. OTHER FUNDING: As of the date hereof, the loan from the West Virginia Housing Development Fund in the amount of $950,000, and the grant from the Council in the amount of $140,071 are committed and in full force and effect.

WITNESS our signatures and the official seal of the JEFFERSON COUNTY PUBLIC SERVICE DISTRICT on this 25th day of June, 1998.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
Stanley E. Zombro	Chairman
Carole A. Hall	Secretary
	Counsel to Issuer

06/15/98
450260/94001

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 1998 C
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO ARBITRAGE

The undersigned Chairman of the Public Service Board of Jefferson County Public Service District, in Jefferson County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $662,039 aggregate principal amount of Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), of the Issuer, dated June 25, 1998 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"). 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 same meaning as set forth in the Bond Resolution duly adopted by the Issuer on June 18, 1998 (the "Bond Resolution"), authorizing the Bonds.

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

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

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on June 25, 1998, the date on which the Bonds are to be physically delivered in exchange for more than a de minimis amount of the principal of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of

a federal information return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. The Issuer has, therefore, covenanted to not intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as otherwise allowed under Sections 103 and 148 of the Code.

6. The Bonds were sold on June 25, 1998, to the West Virginia Water Development Authority (the "Authority"), pursuant to a loan agreement dated June 25, 1998, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), for an aggregate purchase price of $662,039 (100% of par value), at which time, the Issuer received $33,102 from the Authority and the Council, being more than a de minimus amount of the principal of the Bonds. No accrued interest has been or will be paid on the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses. On the date hereof, the Issuer also sold its Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), bearing no interest, to the Authority for an aggregate principal amount of $599,089 (100% of par value), there being no accrued interest paid thereon (the "Series 1998 B Bonds").

7. The Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage facilities of the Issuer (the "Project"); and (ii) paying costs of issuance of the Bonds and related costs.

8. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend in excess of $100,000 for the acquisition and construction of the Project, constituting a substantial binding commitment, or has already done so. The acquisition and construction of the Project will commence immediately and will proceed with due dilligence to completion, and, with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in the reserve account for the Bonds, 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 acquisition and construction of the Project on or before June, 1999, except as otherwise required for rebate to the United States under Section 148(f) of the Code. The acquisition and construction of the Project is expected to be completed by June, 1999.

9. The total cost of the Project (including all costs of issuance of the Bonds) is estimated at $2,351,199. Sources and uses of funds for the Project are as follows:

SOURCES

Gross Proceeds of Series 1998 B Bonds	$ 599,089
Gross Proceeds of Series 1998 C Bonds	662,039
West Virginia Housing Development Fund Construction Notes	950,000
Council Grant	140,071
Total Sources	$2,351,199

USES

Acquisition and Construction of Project	$2,283,743
Capitalized Interest	-0-
Fund Series 1998 B Bonds Reserve Account	29,956
Fund Series 1998 C Bonds Reserve Account	-0-
Costs of Issuance	37,500
Total Uses	$2,351,199

The amount of the costs of the Project is estimated to be at least equal to the gross proceeds of the Bonds, the construction notes and the grant stated above. Except for the proceeds of the Bonds, the construction notes and the grant stated above, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

10. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created (or continued pursuant to the Prior Resolutions):

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 1998 B Bonds Construction Trust Fund;

(4) Series 1998 C Bonds Construction Trust Fund;

(5) Series 1988 B Bonds Sinking Fund;

(6) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account;

(7) Series 1993 A Bonds Sinking Fund;

(8) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account;

(9) Series 1998 A Bonds Sinking Fund;

(10) Within the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account and the Series 1998 A Bonds Redemption Account;

(11) Series 1998 B Bonds Sinking Fund;

(12) Within the Series 1998 B Bonds Sinking Fund, the Series 1998 B Bonds Reserve Account;

(13) Series 1998 C Bonds Sinking Fund; and

(14) Within the Series 1998 C Bonds Sinking Fund, the Series 1998 C Bonds Reserve Account.

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

(1) Bond proceeds in the amount of $-0- will be deposited in the Series 1998 C Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Bonds during acquisition and construction of the Project and for a period not to exceed six months following completion thereof.

(2) Bond proceeds in the amount of $-0- will be deposited in the Series 1998 C Bonds Reserve Account.

(3) The balance of the proceeds of the Bonds will be deposited in the Series 1998 C 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 Bonds and related costs, and for no other purpose.

Amounts in the Series 1998 C Bonds Construction Trust Fund, if invested, will be invested without yield limitation for a period necessary to complete the Project, not to exceed 3 years. All of such moneys are necessary for such purpose.

Except for "preliminary expenditures" as defined in Treas. Reg. § 1.150-2(f)(2), none of the proceeds of the Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

12. Moneys held in the Series 1998 C Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Bonds, and will not be available to meet costs of the Project. All investment earnings on moneys in the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and, during construction of the Project, deposited into the Series 1998 C Bonds Project Fund, and following completion of construction of the Project, will be deposited in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

13. Except for the Series 1998 C Bonds Sinking Fund and the Series 1998 C Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Renewal and Replacement Fund will be used or needed for payments upon the Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the Issuer encounters financial difficulties; thus, such amounts may be invested without yield limitation. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, 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 desegregation plan or other investment property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds, if any, will be deposited in the Series 1998 C Bonds Reserve Account or any other reserve or replacement fund. The amounts deposited in the Series 1998 C Bonds Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest, if any, on the Bonds, and will not exceed 125% of average annual principal and interest on the Bonds. Amounts in the Series 1998 C Bonds Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1998 C Bonds Reserve Account is required by the Authority, is vital to its purchase of the Bonds, and is reasonably required to assure payments of debt service on the Bonds.

14. On the date of delivery of the Bonds, the Issuer shall enter into a contract for the acquisition and construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Bonds or $100,000.

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

16. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bonds to the Authority.

17. With the exception of the amount deposited in the Series 1998 C Bonds Sinking Fund for payment of interest on the Bonds, if any, and amounts deposited in the Series 1998 C Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 12 months from the date of issuance thereof.

18. The Series 1998 C Bonds Sinking Fund (other than the Series 1998 C Bonds Reserve Account therein) is intended primarily to achieve a proper matching of payments of debt service on the Bonds each year. The Series 1998 C Bonds Sinking Fund (other than the Series 1998 C Bonds Reserve Account therein) will be depleted at least once a year, except for a reasonable carryover amount not in excess of the greater of 1/12th of annual debt service on the Bonds, or 1 year's interest earnings on the Series 1998 C Bonds Sinking Fund (other than the Series 1998 C Bonds Reserve Account therein). Except as otherwise allowed, any money deposited in the Series 1998 C Bonds Sinking Fund for payment of the principal of or interest, if any, on the Bonds (other than the Series 1998 C Bonds Reserve Account therein), will be spent within a 13-month period beginning on the date of receipt and will be invested without yield limitation, and any moneys received from the investment of amounts held in the Series 1998 C Bonds Sinking Fund (other than in the Series 1998 C Bonds Reserve Account therein) will be spent within a 1-year period beginning on the date of receipt.

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

20. All property financed with the proceeds of the Bonds will be held for federal income tax purposes by (or on behalf of) a qualified governmental unit.

21. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of Bonds or $5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit.

22. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue, except to the extent any such proceeds are required for rebate to the United States.

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

24. 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 treatment afforded by Section 103(a) of the Code by reason of 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 the Treasury Regulations promulgated or to be promulgated thereunder in order to assure that the interest, if any, on the Bonds is excluded from gross income for federal income tax purposes.

25. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

26. The Issuer will rebate to the United States the amount, if any, required by the Code and take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest, if any, on the Bonds from gross income for federal income tax purposes.

27. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest, if any, on the Bonds from the gross income for federal income tax purposes.

28. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in the Code.

29. The Issuer has either (a) funded the Series 1998 C 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 1998 C Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 1998 C 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. Moneys in the Series 1998 C Bonds Reserve Account and the Series 1998 C Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

30. 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 a certificate with respect

thereto or, if the Issuer qualifies for the small governmental issuer exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority 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 Bonds subject to rebate.

31. The Issuer expects that no part of the Project financed by the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

32. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest, if any, thereon. In addition, the Issuer has covenanted to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and has covenanted to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolutions authorizing issuance of the Bonds.

33. The Bonds are a fixed yield issue. No interest or other amount payable on the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

34. None of the Bonds has a yield-to-maturity more than one-fourth of one percent higher than the yield on the Bond determined by assuming the Bond is retired on the date that when used in computing the yield on the Bond produces the lowest yield.

35. No portion of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

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

37. Except for a reasonable temporary period until such proceeds are needed for the purpose for which such issue was issued or as otherwise allowed, no portion of the proceeds of the Bonds will be used, directly or indirectly, to acquire higher yielding investments, or to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

38. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds is not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

39. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

40. 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.

41. Steptoe & Johnson is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest, if any, on the Bonds.

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

WITNESS my signature on this 25th day of June, 1998.

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

Stanley E. Zombro
Chairman

06/15/98
450260/94001

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)
and Sewerage System Construction Notes,
Series 1998 (West Virginia Housing Development Fund)

ENGINEER'S CERTIFICATE

I, Wilbur Smith, Registered Professional Engineer, West Virginia License No. 9046 of Pentree Incorporated, in Princeton, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing public sewerage facilities (the "System") of Jefferson County Public Service District (the "Issuer") to be constructed primarily in Jefferson County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (collectively, the "Bonds") and the above-captioned notes (the "Notes") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on June 18, 1998, the Loan Agreement for the Series 1998 B Bonds, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP"), dated June 2, 1998, the Loan Agreement for the Series 1998 C Bonds, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated June 25, 1998, and the Loan Agreement for the Notes, by and between the Issuer and the West Virginia Housing Development Fund (the "HDF"), dated June 25, 1998.

2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project; (ii) funding a reserve account for the Series 1998 B Bonds; and (iii) paying costs of issuance and related costs.

3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the DEP, the Council, the HDF and the Authority, requesting the Authority to purchase the Bonds and the HDF to purchase the Notes (collectively, the "Application") and approved by all necessary governmental bodies; (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least 40 years; (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 described in the Application and my firm has ascertained that all contractors 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 by my firm for accuracy; (iv) the chosen bidder received any and all addenda to the original bid documents; (v) the bid documents reflect the Project as approved by the DEP; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof; (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; (ix) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project as set forth in the Application; and (xi) attached hereto as Exhibit A is the final amended "Schedule - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this 25th day of June, 1998.

PENTREE INCORPORATED

(SEAL)

Wilbur Smith, P.E.
West Virginia License No. 9046

06/15/98
450260/94001

SCHEDULE A

TYPE OF GOVERNMENTAL AGENCY: Jefferson County P.S.D.
CALCULATED TOTAL COST OF PROJECT FOR SRF PARTICIPATION.

A. Cost of Project

1.	Construction	$ 541,133	
2.	Technical Services	$	
3.	Legal and Fiscal	$	
4.	Administrative	$	
*5.	Site and Other Lands	$	
6.	Other Costs	$	
7.	Interim Financing Costs	$	
8.	Contingency	$	
9.	Total of Lines 1 Through 8		$ 541,133

B. Sources of Funds

10.	Federal Grants:[1] (Specify Sources)		$
11.	State Grants:[1] (Specify Sources)		$
12.	Other Grants:[1] (Specify Sources)		$
13.	Any Other Source[2] (Specify)		$
14.	Total of Lines 10 through 13	$	
15.	Net Proceeds Required form Bond Issue (Line 9 Less Line 14)		$ 541,133

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	$	
17.	Funded Reserve Account:[3]	$ 29,956	
18.	Bond Council	$ 28,000	
19.	Total Cost of Financing (lines 16 through 18)	$ 57,956	
20.	Size of Bond Issue (line 15 plus line 19)		$ 599,089

* not allowable for State Revolving Fund Assistance

Stanley E. Zoonkers
SIGNATURE OF APPLICANT

Date: June 15, 1998

SIGNATURE OF CONSULTING ENGINEER

Date: 6-12-98

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE B
Jefferson County Public Service District
Wastewater System Upgrade and Extension 97S-327
Final Total Cost of Project, Sources of Funds and Costs of Financing

A. Cost of Project	Total	SRF	WVHDF	IJDC LOAN & GRANT
1. Construction Based on Actual Bids	1,442,100	541,133	565,314	335,653
* 2. Technical Services	276,146			276,146
* 3. Legal & Fiscal	52,000			52,000
4. Administrative	3,000			3,000
5. Sites and Other Lands	15,000			15,000
6. Step I or II or Other Loan Repayments				
7. Interim Financing Costs				
8. Contingency	120,311			120,311
9. Total of Lines 1 through 8	1,908,557	541,133	565,314	802,110
B. Sources of Funds				
10. Federal Grants:				
a.				
b.				
11. State Grants:				
a.				
b.				
12. Other Grants:				
13. Any Other Source:				
a. SRF	541,133	541,133		
b. WVHDF	565,314		565,314	
14. Infrastructure Fund Grant	140,071			
15. Total of Lines 10 through 14	1,246,518	541,133	565,314	
** 16. Net Proceeds Required from Bond Issue (Line 9 minus Line 15)	662,039			
C. Cost of Financing				
17. Funded Reserve Account (2)		29,956		
18. Other Costs (3)				
a. Bond Counsel		28,000		
b. Loan Program Fee			9,500	
19. Total Cost of Financing		57,956		
20. Size of Bond Issue, Contribution, Grant (Line 16 plus Line 19)		599,089	*** 574,814	** 802,110

	TOTAL	SRF	WVHDF	IJDC Grant
Total Funding Package	2,351,199	599,089	950,000	802,110

*** see attached for cost breakdown**
**** deffered loan $662,039; grant $140,071**
***** WVHDF present contribution (cost value - 950,000)**

Stanley E. Zombro
GOVERNMENTAL AGENCY

June 15, 1998
DATE

CONSULTING ENGINEER

6-18-98
DATE

(1) Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation.
(2) Consult with bond counsel and the Council before assuming a funded reserve.
(3) For example, fees of accountants, bond counsel and local counsel for the Governmental Agency

COX NICHOLS HOLLIDA

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS, LLP

June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Division of Environmental Protection
Charleston, West Virginia

West Virginia Infrasturcture and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered January 31, 1992, in Case No. 91-163-PSD-42A, and projected operation and maintenance expenses of Jefferson County Public Service District (the "Issuer") and anticipated customer usage as furnished to us by Pentree Incorporated, Consulting Engineers, 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 pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), and Series 1998 C (West Virginia Infrastructure Fund) (collectively, the "Bonds"), to be issued to the West Virginia Water Development Authority on the date hereof, and all other obligations secured by or payable from the revenues of the System, on a parity with the Bonds, including the Issuer's Sewer Revenue Bonds, Series 1988 B, Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), and Sewer Refunding Revenue Bonds, Series 1998 A (collectively, the "Prior Bonds"). It is our further opinion that the Net Revenues actually derived from the System during 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the 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 Bonds, are not less that 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 Prior Bonds and the Bonds.

Very truly yours,
Cox Nichols Hollida, CPAs and Consultants, LLP

COX NICHOLS HOLLIDA, CPAs
AND CONSULTANTS, LLP

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REGULAR TERM: (Board of Equalization and Review) FEBRUARY 22, 1983

State of West Virginia, County of Jefferson, to-wit:

The session of the Board of Equalization and Review, continued and held at the Courthouse thereof on Tuesday, February 22, 1983, beginning at 1:30 o'clock P.M.

PRESENT: Garland H. Moore, Jr., President;
Charles B. Clendnening, III; Henry M. Snyder, Jr.;
Gary L. Phalen; Robert D. Ott, Commissioners.

In re: PETITION BY 84 LUMBER COMPANY - BY ROBERT WILLINGHAM, AGENT FOR M. F. POER & CO. - NO CHANGE IN ASSESSMENT

Motion by Snyder, second by Phalen to inform Mr. Robert Willigham, Agent for M. F. Poer & Co., on behalf of 84 Lumber Company, that the Board determined that there be no change in assessment of the 4.139 Acres Shendo at this time. Motion carried.

In re: PETITION BY GUILFORD TURNER - DECREASE IN ASSESSMENT MADE

Motion by Phalen, second by Ott to inform Mr. Guilford Turner that upon review of the Two Acres, Mt. Turner, that the 1983 assessed value of property be decreased to $1,000.00. Motion carried.

In re: COMPUTER SOFTWARE BID AWARDED - AUTOMATION COUNSELORS, INC.

Motion by Snyder, second by Ott to authorize the President of the Commission to sign the contract with Automation Counselors, Inc. for the provision of electronic data processing software, as this proposal provides the Commission with the necessary equipment within an acceptable time span and at the lowest overall cost to the County. Motion carried.

Upon rising, the Board adjourned, to meet again on in 1984 at the next session of the Board of Equalization and Review.

President

REGULAR TERM: FEBRUARY 24, 1983

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, March 24, 1983, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;
Charles B. Clendening, III; Henry M. Snyder, Jr.
Gary L. Phalen; Robert D. Ott, Commissioners.

In re: SURPLUS TAX REFUND

Motion by Ott, second by Snyder to approve the following Surplus Tax Refund. Motion carried.

SURPLUS TAX REFUND

It appearing that on the 9th day of November, 1981, the Sheriff of said County, at a tax sale of Delinquent Lands, sold for delinquent and unpaid real estate taxes for the year of 1980 Parcel(s) of land assessed on the Tax Records of Jefferson County, WV, as 1 Lt. 1, Sec. 1, #10 Hidden River, Middleway District, Jefferson County, West Virginia; that at the time of said tax sale the taxes were charged to Glenn R. and Roselie T. Logan; that at the time of said sale the taxes, interest and charges thereon were $41.70; that as a result of said sale there is a surplus of $1,258.30 in excess of the taxes, interest, and charges due thereon,

Therefore it is ordered, in pursuance of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, WV, do pay to Glenn R. and Roselie T. Logan the sum of $1,258.30, that being the surplus paid to the Sheriff at said tax sale.

Enter this 24th day of February, 1983.

In re: BIDS RECEIVED - REPRODUCTION OF COUNTY CLERK'S RECORD BOOKS - HULTMAN AND AUTOMATION INDUSTRIES, INC. (VITRO)

Motion by Phalen, second by Snyder to accept for review and comparison the following bids for the reproduction of record books in the County Clerk's Office. Motion carried.

Hultman - 31,016 pages @ $.33 per page = $10,235.00

Vitro - 1) Microfilm, electrostatic prints, binding - $.223
2) Binders - $105.00 Each
3) Director 18" X 24" Electrostatic Prints from Oversize Plats = $1.25 Each

In re: PRE-AUTHORIZATION OF CHECKS FOR CRUISERS, UPON ARRIVAL

Upon request of the Sheriff, motion by Snyder, second by Clendening to authorize the President of the Commission to sign a check for the purchase of two Sheriff's Department cruisers (previously approved), upon their arrival. Motion carried.

In re: PUBLIC HEARING SCHEDULED FOR PROPOSED JEFFERSON COUNTY PUBLIC SERVICE DISTRICT - ORDER APPROVED

Motion by Phalen, second by Clendening to adopt the following Order and to advertise for a public hearing scheduled for Thursday, March 31, 1983 at 7:00 P.M. in the County Courtroom for the purpose of establishing a Jefferson County Public Service District. Motion carried.

ORDER

The County Commission of Jefferson County, West Virginia, is of the opinion that in order to preserve the public health, comfort and convenience of the general public of Jefferson County, West Virginia, do hereby propose the creation of a public service district for the purpose of providing sewage service for the general public within Jefferson County, West Virginia, as authorized by Chapter 16, Article 13A of the West Virginia Code, as last amended, to be known as the Jefferson County Public Service District.

That the territory to be embraced by the proposed District shall be all land within the boundaries of Jefferson County, West Virginia, less however, those sewage authorities within any incorporated municipality with the County, unless the governing body of any such municipality shall adopt a resolution consenting to be included within the proposed public sewer district, and that area covered by the existing public service district of Harpers Ferry-Bolivar Public Service District presently authorized to operate sewage service in Jefferson County; provided, however, that any of the public sewage service districts presently authorized to operate in Jefferson County, but not presently furnishing sewage services, may become a part of the area to be serviced by this proposed Public Sewage Service District.

Further, it is the desire of the Jefferson County Commission to proceed as soon as possible to comply with the laws of the State of West Virginia in creating the Jefferson County Public Service District and it is so ORDERED that a public hearing be held on the 31st day of March, 1983, at 7:00 o'clock P.M. at the Jefferson County Courthouse and that notice of such public hearing be published as provided by law.

In re: LIST OF COUNTY-OWNED EQUIPMENT TO EMERGENCY SERVICES ADVISORY COUNCIL

Upon request of the Emergency Services Advisory Council, motion by Ott, second by Clendening to furnish the Emergency Services Advisory Council with a list of all County-owned equipment that could possibly be used by Emergency Services during an emergency situation. Motion carried.

In re: NOTARY APPLICATION AND BOND APPROVED - MARGIE S. JOHNSTON

Upon the application of Margie S. Johnston as a Notary Public in and for the County of Jefferson, it was shown to the satisfaction of this Commission that said Applicant is a resident of said County, that she is competent to perform the duties of such office, that she is a person of good moral character, and that she has posted bond and taken the oath of office as required by law.

Motion by Phalen, second by Snyder to approve the Notary Application and Bond for Margie S. Johnston. Motion carried.

In re: FAIR ASSOCIATION REQUEST - FAIRGROUNDS

Upon request of the Jefferson County Fair Association, the Commission agreed to give the Fair Association first consideration if and when any additional land is requested by some other organization or individual to the immediate west of the Fairgrounds.

In re: MELLON BANK, N.A. - PAYMENT AUTHORIZED - FEES AND EXPENSES INCURRED FROM REVENUE BOND ISSUE

Upon motion of the Court, the Commission approved and ordered payment to Mellon Bank, N.A. for fees and expenses incurred in servicing the Jefferson County, WV, Residential Mortgage Revenue Bonds, 1980 Series A, payment in the amount of $5,308.09, to be made from funds presently held by Mellon Bank in an account established for that purpose.

In re: MAINTENANCE AGREEMENT ON LEKTRIEVER CARD FILE IN ASSESSOR'S OFFICE

Motion by Clendening, second by Ott to approve the mechanical maintenance agreement on the Lektriever Series 80 card file in the Assessor's Office for the period 3/4/83 through 3/4/84 in the amount of $379.96. Motion carried.

In re: TURNKEY JAMES CARBONE TO ATTEND JAILERS' TRAINING SCHOOL

Upon request of the Sheriff, motion by Phalen, second by Ott to authorize Turnkey James Carbone to attend the Jailers' Training School at the Huttonsville Corrections Facility for a six-week period beginning March 7, 1983 at a cost of $150.00, plus traveling expenses. Motion carried.

In re: DEPUTY SHERIFFS' REQUEST FOR PAY INCREASES

The Jefferson County Deputy Sheriffs appeared before the Commission with a written request for consideration of a $1.00 per hour across-the-board pay increase for their department. The Commission accepted their written request for consideration.

In re: BID RECEIVED - REPLACEMENT CONSOLE AT EMERGENCY HEADQUARTERS - MOTOROLA, INC.

Motion by Clendening, second by Ott to receive for review a bid in the amount of $45,760.00 from Motorola, Inc. for a new console at Emergency Headquarters. Motion carried.

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on February 24, 1983 and was recorded in the Law Order Book W, at Page 195.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

John E. Ott

Clerk of said Commission

Upon rising, Commission adjourned, to meet again on Thursday morning next at 9:30 o'clock A.M.

PRESIDENT

DECEMBER 1, 1983

REGULAR TERM

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, December 1, 1983, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;
Charles B. Clendening, III; Henry M. Snyder, Jr.;
Robert D. Ott; Commissioners.

In re: SURPLUS TAX REFUNDS

Motion by Snyder, second by Clendening to approve the following Surplus Tax Refunds. Motion carried.

SURPLUS TAX REFUND

It appearing that on the 14th day of November, 1983, the Sheriff of said County, at a tax sale of delinquent lands, sold for delinquent and unpaid state taxes for the year 1982 a parcel of land assessed in the tax records of Jefferson County, West Virginia as, 1 lot No. 8, Woodbury, Middleway District, Jefferson County West Virginia; that at the time of said tax sale the taxes were charged to James J. McGrath and Juanita M. McGrath; that at said tax sale Francis Dale Duncan was purchaser of said real estate for a purchase price of $490.00; that at the time of said sale the taxes, interest and charges thereon were $477.57; that as a result of said sale thereon there is a surplus of $12.43 in excess of the taxes, interest and charges due thereon.

Further, it appearing to the Commission, that since said sale James J. McGrath and Juanita M. McGrath's interest in and to the said property was sold to John S. Morris.

Thereupon it is ordered, in pursuance of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, West Virginia do pay to John S. Morris, the sum of $12.43, that being the surplus paid to the Sheriff at said tax sale.

Entered this 1st day of December, 1983.

SURPLUS TAX REFUND

It appearing that on the 14th day of November, 1983, the Sheriff of said County, at a tax sale of delinquent lands, sold for delinquent and unpaid state taxes for the year 1982 a parcel of land assessed in the tax records of Jefferson County, West Virginia as, Lot 12, Woodland Park Subdivision, Charles Town District, Jefferson County, West Virginia; that at the time of said tax sale the taxes were charged to Elaine and Titus Hagy; that at said tax sale Mickey Duncan was purchaser of said real estate for a purchase price of $200.00; that at the time of said sale the taxes, interest and charges thereon were $83.41; that as a result of said sale thereon there is a surplus of $116.59 in excess of the taxes, interest and charges due thereon.

Further, it appearing to the Commission, that since said sale Elaine and Titus Hagy's interest in and to the said property was sold to Mary Ellen Longan.

Thereupon it is ordered, in pursuant of Chapter 11A, Article 3, Section 37 of the West Virginia Code of 1931, as amended, that the Sheriff of Jefferson County, West Virginia do pay to Mary Ellen Longan, the sum of $116.59, that being the surplus paid to the Sheriff at said tax sale.

Entered this 1st day of December, 1983.

In re: ORDER ADOPTED - JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Motion by Clendening, second by Ott to adopt the following Order for the creation of the Jefferson County Public Service District. Motion carried.

IN THE COUNTY COMMISSION OF JEFFERSON COUNTY, WEST VIRGINIA

IN THE MATTER OF:

Creation of the Jefferson County Public Service District

ORDER

Having upon its own motion entered an Order on February 24, 1983, proposing the creation of the Jefferson County Public Service District and setting forth a description of such sufficient to identify said district and further having provided public notice in compliance with Chapter 16, Article 13A, Section 2 and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the testimony and evidence produced before it, find the creation of a public service district feasible, convenient, and conducive to the preservation of the public health and convenience.

Therefore, it is ORDERED that a public service district be created in Jefferson County under the provisions of 16-13A-1 et. seq. of the West Virginia Code of 1931, as amended, to encompass and include the following:

All land within the boundaries of Jefferson County, West Virginia, less however, those sewage authorities within any incorporated municipality with the County unless the governing body of any such

municipality shall adopt a resolution consenting to be included within the proposed public service district, and that area covered by the existing public service district of Harpers Ferry-Bolivar Public Service District presenlty authorized to operate in Jefferson County; provided, however, that any of the public sewage service districts presently authorized to operate in Jefferson County, but not presently furnishing sewage services may become a part of the area to be serviced by this Public Sewage Service District.

It is further ORDERED that the public service district shall be known as the "JEFFERSON COUNTY PUBLIC SERVICE DISTRICT", and that it shall possess the powers and privileges granted to public service districts by virtue of the provisions of the West Virginia Code.

In re: BOND CLOSING HELD FOR OAKRIDGE ASSOCIATES - FINAL RESOLUTION ADOPTED

The Bond Closing for Oakridge Associates was held this day at 10:30 A.M. in the County Courtroom.

Motion by Clendening, second by Ott to adopt the following Final Resolution authorizing the issuance and sale of $330,000 Jefferson County, West Virginia Industrial Development Revenue Bonds for Oakridge Associates for the purpose of financing the acquisition, construction and equipping of a commercial project. Motion carried.

RESOLUTION OF THE

COUNTY COMMISSION OF
JEFFERSON COUNTY, WEST VIRGINIA
AUTHORIZING THE ISSUANCE
AND SALE OF

$330,000 JEFFERSON COUNTY, WEST VIRGINIA
INDUSTRIAL DEVELOPMENT REVENUE BOND
OAKRIDGE ASSOCIATES
SERIES 1983

Adopted December 1, 1983

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State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on December 1, 1983 and was recorded in the Law Order Book W, at Page 397.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 1997

John E. Ott

Clerk of said Commission

P.O. #18168	277.63	Butterkrust Baking Company - Food for December

PLANNING COMMISSION:

P.O. #18180	1,160.00	Davis, Renn & Shrader, Inc. - Engineering Services - 10/25-11/29
P.O. #18181	219.00	Pifer Office Supply - 1 Executive Swivel Chair

SHERIFF'S LAW OFFICE:

P.O. #18179	2,268.00	Jail Fees for December
P.O. #18190	230.50	Roy's Glass - Windshield for Jimmy

SHERIFF'S TAX OFFICE:

P.O. #18201	181.87	Jefferson Publishing Company, Inc. - Listing of Real Estate Sold

Upon rising, Commission adjourned to meet again on Thursday morning next at 9:30 o'clock A.M.

PRESIDENT

REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, January 21, 1988, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;
Charles H. Strider, Jr.; Charles B. Clendening;
Henry W. Morrow; R. Gregory Lance; Commissioners.

In re: DISPENSE WITH READING OF MINUTES
Motion by Lance, second by Strider to dispense with the reading of the Minutes for the meeting held on Thursday, January 14, 1988 and to approve the Minutes as prepared. Motion carried.

In re: RESIGNATION ACCEPTED - BONNIE CARROLL - BOLIVAR-HARPERS FERRY LIBRARY BOARD
Motion by Clendening, second by Strider to accept, with regret, the resignation of Bonnie Carroll from the Bolivar-Harpers Ferry Library Board, effective February 2, 1988, and that a letter of appreciation be directed to Mrs. Carroll. Motion carried.

In re: APPOINTMENT APPROVED - CAROLYN WATSON - BOLIVAR-HARPERS FERRY LIBRARY BOARD
Upon recommendation of the Bolivar-Harpers Ferry Library Board, motion by Lance, second by Clendening to approve the appointment of Carolyn Watson to the Bolivar-Harpers Ferry Library Board for the remainder of a five (5) year term, expiring December 31, 1988. Motion carried.

In re: PURCHASE OF SURPLUS PROPERTY APPROVED
Motion by Lance, second by Clendening to approve the purchase of a 1977 communications van and a 400 gallon insulated water tank from the West Virginia Agency for Surplus Property. Motion carried.

In re: PUBLIC HEARING HELD - PROPOSED AMENDMENT IN SCOPE OF ACTIVITIES FOR THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR PROVISION OF WATER
The Commission conducted a Public Hearing at 11:00 a.m. for the purpose of amending the scope of activities of the Jefferson County Public Service District to allow for the provision of water. Comments were received from those in attendance.

In re: DECISION TO AMEND THE SCOPE OF ACTIVITIES FOR THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR THE PROVISION OF WATER

Upon consideration of comments received from the public, motion by Lance, second by Strider to adopt the following Resolution amending the scope of activities for the Jefferson County Public Service District to allow for the provision of water. Motion carried.

IN THE COUNTY COMMISSION OF JEFFERSON COUNTY, WEST VIRGINIA

IN THE MATTER OF:
Amendment of scope of Activities of the Jefferson County Public Service District.

ORDER

Having upon its own motion entered an Order on December 24, 1987, proposing the amendment of the scope of activities of the Jefferson County Public Service District for the purpose of allowing for the provision of public water as provided for in Chapter 16, Article 13A, of the West Virginia Code, as amended, and having provided public notice in compliance with Chapter 16, Article 13A, Section 2, and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the testimony and evidence produced before it find the amendment proposed feasible, convenient, and conducive to the preservation of the public health and convenience.

Therefore, it is ORDERED that the activities of the Jefferson County Public Service District be amended to allow for the provision of water within the current boundaries of the District and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, or furnishing water to or for the public for industrial, public, private, or other uses as provided for by Chapter 16, Article 13A of the West Virginia Code, as amended. Provided, however, that no authorization or authority provided herein shall be so construed so as to permit or allow the Public Service District to unduly interfere in the current efforts of the City of Charles Town to improve and increase the availability of public water by constructing a water intake on the Shenandoah River or to pay for the same by providing service to customers currently residing within the District.

In re: BI-ANNUAL VOTER REGISTRATION

Upon a request made by John E. Ott, County Clerk, motion by Clendening, second by Strider to forego the bi-annual house to house voter registration and substitute post card voter registration, special courthouse hours, proper notice by publication, and the placement of post-card registration forms at County Libraries and U.S. Post Offices. Motion carried.

The Commission received a map identifying boundaries of Summit Point for the establishment of a Dog Leash Law. The Commission directed the County Administrator to clarify and identify the boundaries and to secure an adequate description of said area to be filed in the Jefferson County Clerk's Office.

The Commission directed the County Administrator to prepare a letter to Judge Thomas Steptoe, Jr. requesting authorization to pay two-thirds of the amount for the replacement of the boiler in the County Building from the Magistrate Court Fund.

President Moore provided the Commission with an update on the Governor's Conference on Health and Disease Promotion which he attended in Charleston.

The Commission received the following information:

A reminder of the Ranson Flood Study Meeting scheduled for Tuesday, January 26, 1988, at 7:00 p.m., at Ranson Elementary School.

A reminder of a Public Hearing regarding Shenandoah Wood Products scheduled for Wednesday, January 27, 1988, at 7:00 p.m., in the Circuit Courtroom.

Development Authority Minutes for their meetings held on December 17, 1987, December 22, 1987, and January 4, 1988.

A Racing Commission Check for interest earned during the period of October 1, 1987 through December 31, 1987, in the amount of $62.25.

A Planning Commission Regular Meeting Notice for Tuesday, January 26, 1988, at 7:30 p.m.

		Ridge Fire Company
P.O. #18216	5,935.62	Automation Counselors - Various Past Due Invoices
P.O. #18223	1,890.00	William K. Jones, Consulting Hydrologist - Services - Ground Water Study - 10/10-12/26
P.O. #18224	1,937.10	General Telephone - Local Service 1/13-2/13 & Long Distance Charges for Month of December
P.O. #18229	100.00	Worthless Check Fund - Services Rendered for January
P.O. #18235	1,272.50	Gilbert L. Hall, Esquire - Professional Services - Commission vs. Giardina - 11/17-12/18
COURTHOUSE:		
P.O. #18217	136.84	Whitmore Lumber Company - Installation of Sump Pump
JAIL:		
P.O. #18193	654.80	Frederick Produce Company - Food for December
P.O. #18194	228.29	Shenandoah Pride Dairy - Food for December
P.O. #18195	107.95	Cline's Egg Farm - Food for December
P.O. #18196	737.56	Shenandoah Foods - Food for December
P.O. #18199	324.76	Bob Barker Company - Shaving Cream, Soap, Toothpaste, & Socks
SHERIFF'S LAW OFFICE:		
P.O. #18215	147.67	Stuck & Alger Pharmacy - Supplies for December
P.O. #18218	181.90	Art's Auto & Truck Repair - Emergency Repair to 1986 Dodge & Inspection, Lube, Oil Change, & Check Fluids on Jimmy
P.O. #18225	3,750.00	Mineral County Commission - Housing of Prisoners for December (5 Prisoners)

Upon rising, Commission adjourned to meet again on Thursday morning next at 9:30 o'clock A.M.

PRESIDENT

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on January 21, 1988 and was recorded in the Law Order Book Y, at Page 210.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

Clerk of said Commission

PRESENT: Garland H. Moore, Jr., President;
Charles B. Clendening; Charles H. Strider, Jr.;
Henry W. Morrow; Commissioners.

Commissioner Moore reviewed the Real Estate Book A-Z for Middleway District.

Commissioner Clendening reviewed the Real Estate Book A-Z for Harpers Ferry District and Bolivar Corporation.

Commissioner Morrow reviewed the Real Estate Book A-Z and Personal Property Book A-Z for Shepherdstown District.

Commissioner Strider reviewed the Real Estate Book A-Z for Kabletown District.

No applications being presented to the Board, the Board adjourned to meet again on Tuesday afternoon next at 1:30 o'clock P.M. for the Board of Equalization and Review.

PRESIDENT

REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State, continued and held at the Courthouse thereof on Thursday, February 25, 1988, beginning at 9:30 o'clock A.M.

PRESENT: Garland H. Moore, Jr., President;
Charles B. Clendening; Charles H. Strider, Jr.;
Henry W. Morrow; R. Gregory Lance; Commissioners.

In re: DISPENSE WITH READING OF MINUTES
Motion by Clendening, second by Lance to dispense with the reading of the Minutes for the meetings held on Thursday, February 18, 1988 and Tuesday, February 23, 1988. Motion carried.

In re: REAPPRAISAL AGREEMENTS APPROVED
Motion by Morrow, second by Clendening to approve the following Reappraisal Agreements submitted by the Assessor for the Commission's approval on Thursday, February 18, 1988. Motion carried.

NAME:	DISTRICT:	MAP:	PARCEL:	SUFFIX:
Nancy Anderson	Kabletown	6	40	
Frank B. Brown	Kabletown	6J	100	
Donald Cogswell	Harpers Ferry	6L	75	
Donald Cogswell	Harpers Ferry	6L	74	
Charles Duke	Kabletown	6F	116	
Charles Duke	Kabletown	6F	117	
Mary Hahn	Kabletown	6J	95	
Frank Moss	Kabletown	6L	12	

In re: REAPPRAISAL AGREEMENTS RECEIVED
Upon recommendation of the Assessor, motion by Morrow, second by Lance to accept for review the following Reappraisal Agreements. Motion carried.

NAME:	DISTRICT:	MAP:	PARCEL:	SUFFIX:
	Kabletown	6L	66	
George Weare	Kabletown	6L	68	
Richard Williams	Harpers Ferry	6J	1	

In re: DECISION RENDERED - MILLBROOK CHAMBER ORCHESTRA - REQUEST FOR FUNDING
Motion by Lance, second by Strider to deny the request from Millbrook Chamber Orchestra for funds in the amount of $3,000.00 to fund a Youth Concert scheduled for March 4, 1988 and to suggest that they submit a request for funding for the ensuing Fiscal Year. Motion carried.

In re: RESOLUTION ADOPTED - RESTRUCTURING OF RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 1980A
Motion by Lance, second by Strider to consider the restructuring Resolution tabled earlier in the meeting and to approve adoption of the same. Motion carried, Commission Morrow abstained.

RESOLUTION

RESOLUTION OF THE COUNTY COMMISSION OF THE COUNTY OF JEFFERSON AUTHORIZING AND DIRECTING THE DEFEASANCE OF THE $15,000.00 RESIDENTIAL MORTGAGE REVENUE BONDS, SERIES 1980A AND THE ISSUANCE OF COLLATERALIZED MORTGAGE OBLIGATIONS IN CONNECTION WITH THE SAID DEFEASANCE AND DESIGNATING UNDERWRITERS AND TRUSTEE IN CONNECTION WITH SUCH DEFEASANCE AND ISSUANCE.

WHEREAS, the County Commission of the County of Jefferson ("the Commission") issued its $15,000,000 Residential Mortgage Revenue Bonds, Series 1980A ("the Bonds") and the proceeds were used to finance home mortgage loans to qualified homebuyers; and WHEREAS, the commission has determined there may be financial benefit to the Commission for appropriation and use in any manner as may be determined by the Commission as a result of defeasing the Bonds and issuing Collateralized Mortgage Obligations ("the Obligations"):
NOW THEREFORE, BE IT RESOLVED BY THE COUNTY COMMISSION OF THE COUNTY OF JEFFERSON, WEST VIRGINIA:

Section 1. That Baker, Watts & Co., Inc. and B. C. Christopher Securities Co. are hereby designated as Underwriters to the Commission in conncection with the defeasance of the Bonds and issuance of the obligations;

Section 2. That Charleston National Bank is hereby designated Trustee in connection with the defeasance of the Bonds and issuance of the Obligations;

Section 3. That said Underwriters shall deliver to the Commission for final approval a firm offer of financial benefit together with all definitive documents, instruments and other materials prepared or caused to be prepared by the Underwriters and by Bond Counsel;

Section 4. That the provisions of this resolution are not intended to, and shall not be construed or interpreted to, either (a) obligate or authorize the expenditure of any funds or monies of Jefferson County ("the County") derived from any source whatsoever other than the proceeds derived from the defeasance of the Bonds and the issuance of the Obligations as provided for in this resolution, or (b) create any personal liability of any officer or member of the Commission or any official or employee of the County, present or future; and

Section 5. That this resolution shall take effect immediately.

In re: WATER QUALITY LEGISLATION
Motion by Lance, second by Clendening not to take a position on proposed Water Quality Legislation presented. Motion carried.

In re: DECISION RENDERED - VALIDITY OF WILL - CROMWELL HALL ESTATE
Motion by Clendening, second by Lance to declare the Will presented by Delia Hall for the estate of Cromwell Hall invalid as he was not of testamentary capacity on December 1, 1987 the date of the Will. Motion carried, Commissioner Morrow abstained.

In re: DECISION RENDERED - APPOINTMENT OF EXECUTRIX - CROMWELL HALL ESTATE
Motion by Clendening, second by Lance to deny Delia Hall's request for appointment as Executrix for the estate of Cromwell Hall by reason of her having been convicted of a criminal offense and to appoint Betty Braxton as the Executrix for the estate. Motion carried, Commissioner Morrow abstained.

In re: APPROVAL OF ZONING CONSULTANT CONTRACT - FOX AND ASSOCIATES, INC.
Motion by Clendening, second by Lance to authorize the President to affix his signature to the Zoning Consultant Contract with Fox and Associates, Inc. Motion carried.

In re: RESOLUTION ADOPTED - JEFFERSON COUNTY EMERGENCY OPERATING PLAN
Motion by Lance, second by Strider to adopt the following Resolution approving and implementing Jefferson County's Emergency Operating Plan. Motion carried.

JEFFERSON COUNTY EMERGENCY OPERATIONS PLAN

RESOLUTION

WHEREAS, Pursuant to the State Emergency Services Act (West Virginia Code, Chapter 15, Article 5, as amended, Jefferson County has established the Jefferson County Office of Emergency Services;

WHEREAS, the Jefferson County Office of Emergency Services is, to the limits of its capabilities, responsible for the disaster preparedness activities within Jefferson County;

WHEREAS, the Jefferson County Office of Emergency Services has established the "Jefferson County Emergency Operations Plan", which established specific organizational responsibilities and prescribes actions necessary to mitigate potential consequences to the Jefferson County populace, either manmade or natural disasters or emergencies;

WHEREAS, the "Jefferson County Emergency Operations Plan" was written to be responsive to Federal requirements contained in the Intergrated Emergency Management System (IEMS) concept, and is subject to approval by the Federal Emergency Management Agency (FEMA); and that the plan will be upgraded annually to maintain a current level of preparedness and to address changing Federal, State and/or Jefferson County requirements;

NOW THEREFORE IT IS RESOLVED, ORDERED AND DETERMINED, that the County Commission does hereby approve and adopt the "Jefferson County Emergency Operations Plan", which is filed in the Office of the Jefferson County Commission at the Courthouse, Charles Town, West Virginia and which is incorporated herein by this reference.

PASSED AND ADOPTED by the County Commission of Jefferson County, State of West Virginia, this 25th day of February 1988.

In re: AUTHORIZATION FOR TRANSFER OF BURR-MCGARRY PROPERTY

Motion by Clendening, second by Lance to authorize the transfer of the Burr-McGarry property to the Jefferson County Development Authority and to authorize the President to affix his signature to the necessary documents to allow said transfer. Motion carried.

In re: PUBLIC HEARING HELD - MINOR BOUNDARY ADJUSTMENT - CORPORATION OF RANSON

A Public Hearing was conducted for the purpose of receiving comments from the public regarding a request on the annexation of property located adjacent to the corporate boundaries of Ranson. There being no opposition voiced by the public, the Public Hearing was ordered closed at 11:10 a.m.

In re: APPROVAL OF PURCHASE WEAPONS - SHERIFF'S LAW OFFICE

Motion by Clendening second by Lance to authorize the purchase of 9mm semi-automatic weapons for the Sheriff's Law Office, in cooperation with the Deputy Sheriff's Association, contingent upon funds being available. Motion carried, Commissioner Morrow opposed.

In re: FINAL ACCOUNTING APPROVED - JAMES L. CLARK ESTATE

Motion by Morrow, second by Clendening to approve the Final Accounting for the estate of James L. Clark. Motion carried.

In re: REQUEST FOR SHORT-TERM LOAN APPROVED - JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Upon a request made by the Public Service District, motion by Clendening, second by Strider to authorize a short-term loan of not more than $15,000.00 to the Jefferson County Public Service District, to be repaid along with funds previously provided at such time as federal and state funding is received. Motion carried.

In re: DONALD R. GIARDINA - REQUESTED TO FILE FINAL ACCOUNTINGS ON ESTATES

Motion by Lance, second by Clendening to direct the Prosecuting Attorney's Office to prepare a notice to be served by the Sheriff's Law Office directing Donald R. Giardina to appear before the County Commission within 10 days to present a final accounting on those committeeships to which he was appointed by the County Commission or to show cause why he cannot do so. Motion carried.

In re: AMENDMENT OF ORDER PREVIOUSLY ADOPTED - AMENDMENT OF SCOPE OF ACTIVITIES FOR THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT TO ALLOW FOR PROVISION OF WATER

Motion by Clendening, second by Strider to amend the Order entered on Thursday, January 21, 1988 allowing for the provision of water within the current boundaries of the District as follows. Motion carried.

ORDER

Having upon its own motion entered an Order on December 24, 1987, proposing the amendment of the scope of activities of the Jefferson County Public Service District for the purpose of allowing for the provision of public water as provided for in Chapter 16, Article 13A, of the West Virginia Code, as amended, and having provided public notice in compliance with Chapter 16, Article 13A, Section 2, and having held the public hearing required therein; the County Commission of Jefferson County does, upon consideration of the

testimony and evidence produced before it find the amendment proposed feasible, convenient, and conducive to the preservation of the public health and convenience.

Therefore, it is ORDERED that the activities of the Jefferson County Public Service District be amended to allow for the provision of water within the current boundaries of the district excluding the existing and planned service area of the Charles Town Water System which presently serves Charles Town, Ranson, and Contigious Area including the growth area as outlined in Comprehensive Study, as amended, of City of Charles Town Water Service Phase II dated December, 1986 done by Kelley, Gidley, Blair & Wolfe, as shown on attached maps, and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, or furnishing water to or for the public for industrial, public, private, or other uses as provided for by Chapter 16, Article 13A of the West Virginia Code, as amended.

The Commission held Budget Discussions with the Paul Raco, Planning Director, for the Jefferson County Planning Commission; Jane K. Peters, Executive Director, and James Davis, President, for the Jefferson County Development Authority Budget.

Numerous members of public appeared before the Commission to request the Commission's support in providing funds for the operation of Jefferson County's local public libraries. Speaking on behalf of the citizens were Joyce Rudolph, Summit Point Library; Gary Moreland, Shepherdstown Library; and Mayor Paul Courtney, Bolivar Harpers-Ferry Library.

The Commission received the following information:

A request from Magistrate Court for new pagers. No action was taken by the Commission, pending verification of funds in the Magistrate Court Fund.

Robert Cain, City Manager, City of Charles Town, advised the Commission that the Governor had confirmed action to award grants of $500,000.00 each to the City of Charles Town and the Jefferson County Public Service District to assist in the planned sewage treatment and collection system.

Planning Commission Minutes for their meeting held on February 9, 1988 and a Public Hearing Notice for March 22, 1988.

Various correspondence from the Region 9 Planning and Development Council to-wit: proposed gas tax increase, review of post office projects, and the Intergovernmental Review process.

A resignation from William Bailey as Dispatcher for the Jefferson County Communications Center.

A Racing Commission Check for the period of February 1, 1988 through February 15, 1988, in the amount of $4,258.58.

Correspondence from the Chamber of Commerce regarding the $10,000.00 rent placed on the Sam Michaels' Farm. The Commission directed Commissioner Moore and County Administrator Ash to to further discuss the matter and report back to the Commission.

Action was taken in the regular manner to approve the following Purchase Orders:

NAME:	AMOUNT:	PURPOSE:
CIRCUIT CLERK:		
P.O. #18438	$226.72	The Cott Corporation - Supplies for Computer
COUNTY CLERK:		
P.O. #18436	150.78	Glen B. Gainer, Jr., State Auditor - Jefferson County Wards of the State for Year Ending 12/31/87

JAIL:

P.O. #18428	103.00	General Telephone - Service 2/19-3/19
P.O. #18433	400.00	L.R. Jackson, Jr., D.D.S. - Balance Due 4/28/87-2/11/88
P.O. #18437	194.00	Joseph G. McCabe, M.D. - Medical Services for Inmates - Paul Hammersleigh & Peggy Jenkins

LANDFILL:

P.O. #18420	748.59	Millville Quarry, Inc. - 143.96 Tons of Stone
P.O. #18422	393.84	Valley Oil Company - Fuel Oil & Diesel

MAGISTRATE COURT:

P.O. #18445	106.77	General Telephone - Local Service 2/19-3/19
P.O. #18446	193.29	General Telephone - Long Distance Charges for January

PLANNING COMMISSION:

P.O. #18415	460.00	J. Michael Cassell - Professional Services @ $40.00

SHERIFF'S LAW OFFICE:

P.O. #18425	124.75	Art's Auto & Truck Repair - Miscellaneous Repairs to 1985 Dodge

SHERIFF'S TAX OFFICE:

P.O. #18424	298.55	Casto & Harris - Sheriff's Settlement Sheets & Daily Cash Record

Upon rising, Commission adjourned to meet again at 1:30 o'clock P.M. as a Board of Equalization and Review.

PRESIDENT

REGULAR TERM: (Board of Equalization and Review)

State of West Virginia, County of Jefferson, to-wit:

At a session of the Board of Equalization and Review, continued and held at the Courthouse thereof on Thursday, February 25, 1988, beginning at 1:30 o'clock P.M.

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

These minutes from the Regular Term meeting of the County Commission of Jefferson County was held on February 25, 1988 and was recorded in the Law Order Book Y, at Page 229.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

Clerk of said Commission

FINAL
5-12-88

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: April 22, 1988

CASE NO. 88-001-W-PC
JEFFERSON COUNTY COMMISSION
a municipal corporation,
Charles Town, Jefferson County.
Order amending the scope of Jefferson County Public Service District to allow for the provision of water service within its current boundaries.

RECOMMENDED DECISION

PROCEDURE

On January 4, 1988, the Jefferson County Commission filed an order it entered to amend the scope of the Jefferson County Public Service District (District or PSD) to allow for the provision of water service within the District's current boundaries and to provide authority for the District to do all those things necessary and incidental to diverting, developing, pumping, impounding, treating, storing, distributing, or furnishing water to or for the public for industrial, public, private, or other uses, pursuant to the provisions of the West Virginia Code §16-13A-2.

On March 9, 1988, the Jefferson County Commission filed with the Commission a revised order amending the scope of the Jefferson County Public Service District water utility service area. The purpose of the amended order was to resolve a conflict which existed between the

service areas that the PSD wished to serve and the proposed service area of the City of Charles Town. Enclosed with the amended order was a sketch of the proposed service area for the City of Charles Town, which included additional high growth areas contiguous to the City, and which made reference to a revised service area map contained in a study performed for the City of Charles Town pursuant to Case No. 88-065-W-CN, which is currently pending before the Commission. In addition, the Jefferson County Commission filed the minutes of a County Commission meeting on February 25, 1988, which reflect the amendment to the January 21, 1988, order in an attempt to resolve the conflict between the Jefferson County PSD service area and the City of Charles Town's proposed service area.

By order entered on March 23, 1988, the matters involved herein were scheduled for hearing to be held in Charles Town, Jefferson County, on April 6, 1988, as required by West Virginia Code §16-13A-2, regarding the addition of water utility services to those already authorized for the public service district. The order of March 23, 1988, also required that the Jefferson County Commission publish a copy of the order once in a newspaper published and of general circulation in Jefferson County, making due return to the Commission of such publication prior to the day of hearing.

On April 6, 1988, the Jefferson County Commission filed a Certificate of Publication with the Public Service Commission indicating that notice of the hearing scheduled for April 6, 1988, was published on March 31, 1988 in the Spirit of Jefferson Advocate, a newspaper published and of general circulation in Jefferson County.

The hearing was held as scheduled on April 6, 1988, with David L. Ash, County Administrator, appearing on behalf of the Jefferson County Commission; Robert Cain, City Manager, appearing on behalf of the City of Charles Town; and Daniel L. Frutchey, of the Legal Division, appearing on behalf of the Commission Staff. At the hearing, Mr. Ash presented testimony on behalf of the Jefferson County Commission. No individuals appeared in protest to the petition to expand the scope of services provided by the Jefferson County PSD. At the close of hearing on April 6, 1988, the matters involved herein were submitted for decision with no parties desiring to file briefs in this proceeding.

DISCUSSION

The purpose of the hearing held on April 6, 1988, was to satisfy the requirements of West Virginia Code §16-13A-2, which, among other things, requires that the Public Service Commission provide a hearing in the affected county whenever an order is filed with the Public Service Commission by a county commission, creating, expanding, merging or consolidating a public service district. Upon hearing, the Public Service Commission may approve, reject or modify the order of the county commission if it finds it in the best interest of the public to do so. As noted above, only one witness presented testimony at the hearing held on April 6, 1988. David Ash, the County Administrator for the Jefferson County Commission, indicated that the County Commission was attempting to work with the City of Charles Town to insure that ater service was being adequately provided throughout the county. The

County Commission, therefore, amended the proposed service area of the PSD to reflect additional areas that the City of Charles Town wished to serve. (Tr., p. 8). At the conclusion of the testimony of Mr. Ash, Staff Attorney Frutchey indicated that Commission Staff is not opposed to the expansion of the services being provided by the Jefferson County Public Service District in any way. (Tr., p. 9).

Upon consideration of the testimony presented at the hearing held on April 6, 1988, and in light of the fact that two public hearings have been held on this matter with no protests having been filed with the Jefferson County Commission or the Public Service Commission of West Virginia and with no individuals appearing at either hearing to protest the expanded authority of Jefferson County Public Service District, the Administrative Law Judge (ALJ) is of the opinion that it is reasonable to approve the order of the Jefferson County Commission entered on January 21, 1988, and amended on February 25, 1988, enlarging the authority of the Jefferson County Public Service District to enable the District to provide water service within the District's existing boundaries.

FINDINGS OF FACT

1. Both the Jefferson County Commission and the Public Service Commission of West Virginia have held public hearings on expanding the scope of the services provided by the Jefferson County Public Service District to provide water service within its existing boundaries and no one has appeared to protest the expanded authority at either hearing

and no written protests have been filed with the Public Service Commission regarding the expanded authority of the Jefferson County Public Service District. (See, generally, Transcript of April 6, 1988, and Order filed by the Jefferson County Commission on January 21, 1988).

2. Commission Staff does not oppose the expanded authority of the Jefferson County Public Service District to provide water service throughout its service area. (Tr., p. 9).

3. Notice of the public hearing held on April 6, 1988, regarding the expanded authority of the Jefferson County Public Service District was given by publication. (Certificate of Publication filed April 6, 1988).

CONCLUSION OF LAW

It is reasonable for the Public Service Commission to approve the Order of the Jefferson County Commission entered on January 21, 1988, and amended on February 25, 1988, expanding the authority of the Jefferson County Public Service District to provide water service within the District's existing boundaries since such expanded authority will enable those areas to receive water service, since no public protest has been received regarding the expanded authority of the District, and since the expanded authority of the District appears to be reasonable and in the public interest.

ORDER

IT IS, THEREFORE, ORDERED that the Order of the Jefferson County Commission entered on January 21, 1988, and amended on February 25, 1988, expanding the authority of the Jefferson County Public Service District, to enable the District to provide water service within its existing boundaries, except those areas to be served by the City of Charles Town, be, and it hereby is, approved.

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.

ARNOLD O. WEIFORD
Chief Administrative Law Judge

BEFORE THE COUNTY COMMISSION OF JEFFERSON COUNTY

RESOLUTION AND ORDER *NUNC PRO TUNC* APPOINTING CAROLE A. HALL TO THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

WHEREAS, Carole A. Hall was appointed to the Public Service Board of Jefferson County Public Service District on January 1, 1988, for a term to expire on December 1, 1993;

WHEREAS, on December 2, 1993, The County Commission of Jefferson County, West Virginia, entered an order appointing Carole A. Hall to the Public Service Board of Jefferson County Public Service District for a term to expire on December 2, 1999, however, a copy of the minutes of the December 2, 1993, meeting cannot be located;

WHEREAS, The County Commission of Jefferson County has not appointed any other individual to serve as Carole A. Hall's replacement on the Public Service Board of Jefferson County Public Service District;

WHEREAS, it is now deemed desirous by said County Commission to adopt a resolution and order *nunc pro tunc* appointing Carole A. Hall to the Public Service Board of Jefferson County Public Service District effective December 2, 1993, for a term to expire on December 2, 1999.

NOW, THEREFORE, BE IT, AND IT IS, HEREBY, RESOLVED AND ORDERED, by The County Commission of Jefferson County, West Virginia, as follows:

1. That The County Commission of Jefferson County, West Virginia, does hereby appoint Carole A. Hall to the Public Service Board of Jefferson County Public Service District effective as of December 2, 1993, for a term to expire on December 2, 1999.

Entered *NUNC PRO TUNC* in the permanent record of Jefferson County, West Virginia, this 2nd day of December, 1993.

Executed on the 22nd day of January, 1998.

COUNTY COMMISSION OF
JEFFERSON COUNTY, WEST VIRGINIA

R. Gregory Rance
President

Commissioner

James G. Knode
Commissioner

Edgar Ridgeway
Commissioner

Commissioner

ATTEST:

John E. Ott
Clerk

01/10/98
450260/97001

233313.1

REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State continued and held at the Courthouse thereof on Wednesday, December 31, 1997, beginning at 10:00 o'clock a.m.

PRESENT: James G. Knode, President;
R. Gregory Lance; Edgar R. Ridgeway;
Dean Hockensmith; James K. Ruland; Commissioners

In re: **DISPENSE WITH READING OF MINUTES**

Motion by Ridgeway, second by Hockensmith to dispense with the reading of the Minutes for the meeting held on Tuesday, December 23, 1997, and to approve the Minutes as prepared. Motion carried.

In re: **APPROVAL OF PURCHASE ORDERS**

Motion by Lance, second by Ruland to approve the following Purchase Orders for the Week of December 29, 1997, totaling $3,971.37: 32075, 32190, 32186, 32188, and 31341. Motion carried.

In re: **SET DATE AND TIME FOR FIRST MEETING OF 1998**

Motion by Hockensmith, second by Ruland to set the first Commission meeting of 1998 to Thursday, January 8, 1998, at 10:00 a.m. and the first Thursday of every month to 7:00 p.m. and every Thursday after that the meetings will be held at 10:00 a.m. Motion carried.

In re: **SHERIFF SENSENEY**

Sheriff Senseney appeared before the Commission to request that he be able to proceed with hiring someone through the Universal Hiring Grant that has been already submitted. After discussion, motion by Ruland, second by Hockensmith to authorize the County Administrator to prepare a budget revision in order to fund the Sheriff's request. Motion passed by a 4-1 vote. Commissioner Knode voted no.

In re: **SHERIFF SENSENEY - FBI ACADEMY**

Upon request from Sheriff Senseney, motion by Lance, second by Ruland to approve the nomination of Sheriff Senseney to the FBI Training Academy and to have a letter sent with the nomination requesting that the Sheriff be admitted to the Academy when the earliest vacancy is available. Motion passed by a 4-1 vote. Commissioner Knode voted no.

In re: **JOHN LAUGHLAND - FLOOD PLAIN REVISION**

Upon request from John Laughland, County Engineer, motion by Lance, second by Ridgeway to authorize the County Engineer's signature as the county official on the Flood Plain Revision for Robin Gilpin. Motion carried.

In re: SET DATE AND TIME FOR QUARTERLY FIDUCIARY ACCOUNTS REVIEW

Motion by Ruland, second by Ridgeway to set the date and time for the quarterly fiduciary accounts review to the 2nd Thursday of each quarter at 11:00 a.m. Motion carried.

In re: APPOINTMENT TO THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Motion by Ruland, second by Hockensmith to reappoint Carl Schultz to the Jefferson County Public Service District for a 6-year term ending December 1, 2003. Motion carried.

In re: APPOINTMENT TO THE JEFFERSON COUNTY ZONING BOARD OF APPEALS

The Commission decided to place the appointment to the Jefferson County Zoning Board of Appeals on the agenda as old business next week .

In re: BANK ONE - RELEASE OF SECURITIES FOR DEPOSITORY BOND

Motion by Ruland, second by Hockensmith to approve the request from Bank One for the release and replacement of a security for a Depository Bond in the amount of $53,897.67. Motion carried.

SECURITIES FOR DEPOSITORY BONDS
ORDER

The County Commission of Jefferson County, West Virginia, releases and orders returned to Bank One, the following security given to the County Commission to secure the Depository Bonds given to said County Commission, covering the period of July 1, 1997 to June 30, 1998, as follows, to-wit:

$53,897.67 current par; FHLMC 1534-CA 6.475% Due 01/15/15 Cusip #312916TY5

The following named security will be placed in escrow to replace the above:

$65,097.39 current par; FHLMC 450059 9.000% Due 03/01/09 Cussip #31344DB42

Given under by hand and seal this 31st day of December 1997.

/s/_____
James G. Knode, President
County Commission of Jefferson Co
Jefferson County, West Virginia

In re: EASTERN PANHANDLE YOUTH SUMMIT

Jane Tabb appeared before the Commission to request that a contribution be made to the Eastern Panhandle Youth Summit. After discussion, motion by Ruland, second by Lance to contribute $500 made payable to the United Way to be designated for the Eastern Panhandle Youth Summit. Motion passed by a 4-1 vote. Commissioner Knode voted no.

The Commission discussed correspondence received from Kenneth F. Lowe, Jr. concerning the Comprehensive Plan.

Commissioner Knode expressed his thanks to the Commission for being able to serve as President in 1997.

The Commission received the following information:

Reminder Courthouse is closed Thursday, January 1, 1998, and Friday, January 2, 1998.

Reminder received of the next Executive Committee Meeting for the Potomac Headwaters RC&D Council on Monday, January 12, 1997, at 9:30 a.m. in the USDA Conference Room in Romney.

Correspondence received from Kenneth F. Lowe, Jr. concerning the Comprehensive Plan.

Upon rising, the Commission recessed until Thursday morning next beginning at 10:00 o'clock a.m.

_____

PRESIDENT

Notice received from the Eastern Panhandle Regional Planning and Development Council of a vacancy on the board due to the death of Mr. George Vickers.

Upon rising, the Commission adjourned to meet again on Thursday morning next beginning at 10:00 o'clock a.m.

Gary M. Kable
PRESIDENT

REGULAR TERM:

State of West Virginia, County of Jefferson, to-wit:

At a Regular Term of the County Commission of said County and State continued and held at the Courthouse thereof on Thursday, December 7, 1995 beginning at 10:00 o'clock a.m.

PRESENT: Gary M. Kable, President;
James G. Knode, Edgar R. Ridgeway;
Herbert S. Snyder; Commissioners

Commissioner Lance was absent due to a prior commitment.

In re: **DISPENSE WITH READING OF MINUTES**

Motion by Snyder, second by Ridgeway to dispense with the reading of the Minutes for the meeting held on Thursday, November 30, 1995 and to approve the Minutes as prepared, including the following purchase orders: 29850, 29791, 29943, 29607, 29793, 29792, 29787, 29861, 29844, 29847, 29833, 29790 and 29789. Motion carried.

In re: **APPOINTMENT TO THE JEFFERSON COUNTY PUBLIC SERVICE DISTRICT**

Nomination by Knode to reappoint Stanley Zombro to the Jefferson County Public Service District for a 6-year term ending December 1, 2001. Motion by Snyder, second by Knode to close nominations. Motion carried.

By acclamation, Stanley Zombro was reappointed to the Jefferson County Public Service District for a 6-year term ending December 1, 2001.

In re: **SHUEN-YUNG CHAN - IMPROVEMENT LOCATION PERMIT**

Shuen-yung Chan appeared before the Commission to discuss his Improvement Location Permit that was revoked by the Jefferson County Planning Commission on August 30, 1995 and requested the Commission reinstate said permit. After discussion, the Commission agreed that the 30 period to appeal had expired and the County Commission has no jurisdiction to take action on the matter and that Mr. Chan should take the matter to the Jefferson County Health Department.

In re: **SPECIAL FIDUCIARY ACCOUNTS - APPROVED**

The remaining time of the Commission was taken up this day with the examination of sundry fiduciary accounts.

Upon completion, motion by Snyder, second by Knode to approve the accounts for the estates of Maude G. Graham and Gladis E. Davidson. Motion carried.

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

Appointment of Stanley Zombro to the Jefferson County Public Service District for a 6 year term ending Decmeber 1, 2001. Minutes dated December 7, 1995 in Law Order Book BB at page 131.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 12th day of December, A. D., 19 97

John E. Ott
Clerk of said Commission

By: Debra L. Pettinger, Deputy

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, Carole A. Hall, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, Carole A. Hall, do solemnly swear that I will faithfully discharge and perform the duties of the office of member of the Jefferson County Public Service District to the best of my skill and judgement, and according to law, So help me God.

Carole A. Hall

the above oath was taken and subscribed to before the Clerk of County Commission this 6th day of December, 1993.

John E. Ott
CLERK OF COUNTY COMMISSION

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

This Oath of Office for Carole A. Hall, who was appointed as a member of the Jefferson County Public Service District, was taken and subscribed to before the Clerk of the County Commission on December 6, 1993. Her term ends on December 1, 1999.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

John E. Ott

Clerk of said Commission

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, Stanley E. Zombro, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, Stanley E. Zombro, do solemnly swear that I will faithfully discharge and perform the duties of the office of a member of the Jefferson County Public Service District to the best of my skill and judgement, and according to law, So help me God.

Stanley E. Zombro

the above oath was taken and subscribed to before the Clerk of the County Commission this 12th day of December, 1995.

John E. Ott
Clerk of the County Commission

State of West Virginia, County of Jefferson, Sct.

Clerk's Office of the County Commission of Jefferson County, at Charles Town, in said State, exercising Probate Jurisdiction.

I, JOHN E. OTT, Clerk of said Commission having by law the custody of the seal, and all papers, books, documents and papers of or pertaining to said Commission, hereby certify the paper hereto annexed to be a true copy appertaining to said Commission and on file and of record in said office, to-wit:

This Oath of Office for Stanley E. Zombro, who was appointed as a member of the Jefferson County Public Service District, was taken and subscribed to before the Clerk of the County Commission on December 12, 1995. His term ends on December 1, 2001.

In attestation whereof I have hereunto set my hand and affixed the seal of said Commission

this 26th day of

November, A. D., 19 97

John E. Ott

Clerk of said Commission

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, Carl D. Schultz III, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, Carl D. Schultz III, do solemnly swear that I will faithfully discharge and perform the duties of the office of a member of the Jefferson County Public Service District to the best of my skill and judgement, and according to law, So help me God.

Carl D. Schultz III

Carl D. Schultz III

the above oath was taken and subscribed to before a Notary Public in the aforesaid State and County this 8th day of January, 1998 by Carl D. Schultz III.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
YVETTE W. LISKEY
RT. 1, BOX 357A
KEARNEYSVILLE, WV 25430
My Commission Expires August 31, 2004

Yvette W. Liskey

RULES OF PROCEDURE

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Section 2. The principal office of this Public Service District will be located at Third Avenue, Ranson, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Jefferson County Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin the 1st day of July in 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 _____ 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 _____ 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 waived, notice to members by letter or telephone shall be required for regular meetings. Unless otherwise waived, notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least 3 days before the date fixed for such 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, notice of the time and place of all regularly scheduled sessions of such Public Service Board, and the time, place and purpose of all special

sessions of such Public Service Board, shall be made available, in advance, to the public and news media as follows:

A. A notice shall be posted by the Secretary of the Public Service Board of the Public Service District at the front door of the Jefferson County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board of the time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the Public Service Board at the front door to the Jefferson County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board at least 48 hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

NOTICE OF SPECIAL SESSION

The Public Service Board of Jefferson County Public Service District will meet in special session on _____, at _____ .m., prevailing time, at _____, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a _____ Bond, Series _____, of the District, in the principal amount of $_____, to provide

funds for construction of _____ _____ facilities of the District.

2.

_____
Secretary

Date: _____

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, Secretary and 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 the month of January of 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 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. He shall, together with the Secretary, sign the minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these Rules of Procedure, or prescribed by law. He 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. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out 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.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended 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 or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

09/25/87
HOLD4-T

Duplicate
June 15, 1998

Certificate of Publication

JEFFERSON PUBLISHING COMPANY, INC., Publisher
SPIRIT OF JEFFERSON ADVOCATE

Charles Town, W. Va.....November 6.....1997.

I hereby certify that the annexed Jefferson County Public District, a public utility

in the case of Case No. 97-1468-PSD-ECN (Walnut Grove subdivision & to extend to the district's system to serve the Breckenridge Cambridge & Briar Run Developments in Jefferson County.

has been published once a week for one successive weeks, in the Spirit of Jefferson Advocate, a newspaper published in Charles Town, Jefferson County, West Virginia, in the issues of November 6, 1997., as required by law.

Editor/Manager, Spirit of Jefferson Advocate

State of West Virginia
County of Jefferson
Personally appeared before me, Edward W. Dockeney, Jr., Editor/Manager of the Spirit of Jefferson Advocate, and made oath that the above certificate is true and correct.

OFFICIAL SEAL
J. J. BOHRER
Jefferson Publishing Co., Inc.
P. O. Box 966
Charles Town, WV 25414
My Commission Expires February 15, 1999

Commission expires

Notary Public

23

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of harleston on the 30th day of October, 1997.

CASE NO. 97-1468-PSD-ECN

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public utility.

Emergency certificate application of convenience and necessity to upgrade the sewer facilities located in the Walnut Grove subdivision and to extend the District's system to serve the Breckenridge, Cambridge and Briar Run Developments in Jefferson County.

COMMISSION ORDER REQUIRING PUBLICATION

WHEREAS, on October 29, 1997, Jefferson County Public Service District, filed a letter, containing an emergency certificate application of convenience and necessity to upgrade the sewer facilities located in the Walnut Grove subdivision and to extend Jefferson County Public Service District's system to serve the Breckenridge, Cambridge and Briar Run Developments in Jefferson County.

WHEREAS, Jefferson County Public Service District estimates that construction of the project will cost approximately $2.7 million dollars; and,

WHEREAS, Jefferson County Public Service District proposes to finance the construction of the project by a loan in the amount not to exceed 2.7 million dollars at an annual interest rate not to exceed 3% for a period not to exceed forty (40) years. Interim financing will be funded through developer financing obtained through the West Virginia Housing Development Fund.

WHEREAS, Jefferson County Public Service District anticipates maintaining its existing water rates and charges as follows:

RATE

$10.79 per thousand gallons of metered water usage.

MINIMUM CHARGE

No bill will be rendered for less than $26.97 per month.

UNMETERED CHARGE

$48.55 per month.

RESALE RATE

$6.29 per thousand gallons of sewage metered.

Pursuant to §24-2-11, West Virginia Code, IT IS ORDERED that Jefferson County Public Service District, a public utility, 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 Jefferson County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to make objection to said application must do so in writing, within thirty (30) days after the publication of this notice, to Sandra Neal, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323.

IT IS FURTHER ORDERED that if no protests are received within said 30-day period, the Commission may waive formal hearing and grant the application of the Jefferson County Public Service District, based on the evidence submitted with said application and its review thereof.

FOR THE COMMISSION:

Sandra Neal
Executive Secretary

11/6/1t

NOTICE OF SALE OF VALUABLE REAL ESTATE

As a result of a default made in the payment of the debt secured by a deed of trust dated November 19, 1993, made by Green Acres Partnership, a West Virginia corporation, to Dennis S. Rockwell, Trustee, and recorded in the Office of the Clerk of the County Commission of Jefferson County, West Virginia, in Deed Book 761, at Page 751, and being required by the beneficiary to do, the undersigned will offer for sale at Public Auction, at the front door of the Jefferson County Courthouse in Charles Town, West Virginia, on Friday, November 21, 1997, at 4:00 o'clock p.m., all of that certain lot or parcel of real estate with improvements thereon and appurtenances thereunto belonging, situate in Harpers Ferry District of Jefferson County, West Virginia, at the northeastern intersection of State Secondary Route 26 and Secondary Route 340/4, being the parcel containing 23.721 acres, after merger, as shown and described upon a plat and survey entitled "Rawlings Proposed Merger Parcel and Residue," dated November 23, 1992, prepared by Appalachian Surveys, Inc. and recorded in the Office of the Clerk of the County Commission of Jefferson County, West Virginia, in Plat Book 11, at Page 4.

THIS SALE is subject to all re-

NOV 1997

IN THE COURT OF COMMON PLEAS OF THE 39TH JUDICIAL DISTRICT OF PENNSYLVANIA - FRANKLIN COUNTY BRANCH

Civil Action - Equity
No. Equity Vol. 8, Pg, 204
Judge: John R. Walker, P.J.

Robert S. Rock, Plaintiff

v.

All Living Heirs and Descendants of Fannie Catherine Graham Kindle, Cindy S. Koontz, Donald C. Keefer, Robert L. Keefer, Ronald F. Keefer, Thomas T. Keefer, Betty Snowberger, Cecil Howe, Paul Kindle, David Kindle, Lorie Myers, Richard B. Harbaugh, Jr., Jeffrey L. Harbaugh, Chris E. Harbaugh, John C. Harbaugh, Oscar Guessford, Jr., Jennifer Hudler, Leonard Hudler, Jr., Jean C. Beaver, Nancy E. Hays, Howard W. Himes, Russell F. Himes, Glenn Himes, Robert Himes, Mary Stagner, Lee Himes, Peggy Drummond, Leslie Himes, Sherie Himes, Donald Himes, Jr., and Jamie Himes, Defendants.

NOTICE

You have been sued in Court. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this *Complaint* and *Notice* are served, by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a judgment may be entered against you by the Court without further notice for any money claimed in the *Complaint* or for any other claims or relief requested by the Plaintiffs. You may also lose money or property or other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE A LAWYER OR CANNOT AFFORD ONE, GO TO OR TELEPHONE THE OFFICE SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

PA Bar Association Lawyer Referral Service
Telephone No: 1-800-692-7375
(PA only) or (717) 238-6715

Stephen D. Kulla, Esquire
Attorney for Plaintiff

Attest: A TRUE COPY
LINDA L. BEARD, PROTHONOTARY

11/6/1t

Jefferson County
Public Service District

Regular Meeting
January 14, 1998
Agenda

Attendance: Stanley Zombro, Chairman; Carole Hall, Secretary; Carl Schultz, Treasurer; William B. Stine, Jr., General Manager and the attached list

Unfinished Business:

Public Service District: Sewer

- WV Housing Development Fund Project - Walnut Grove Sewer

Report - Pentree

There was general discussion between the Board and Will Smith concerning the progress of the Walnut Grove Project and the reasons for the Sanitary Associations intervention. No decisions were made at this time.

Easements

Will Smith reported that approximately 75% of the easements have been signed. To date three will have to be condemned. The General Manager reported that John Skinner, Attorney for the District was handling the condemnations.

Sanitary Associates- Hearing January 20, 1998 in Charleston

The General Manager reported that the PSC would be holding a hearing on January 20, 1998 in Charleston to address the formal complaint that was entered by Sanitary Associates against the Walnut Grove project. Discussion followed. The Board instructed the General Manager to attend the hearing and informed him of the Districts position concerning the complaint. The General Manager will testify at the hearing on behalf of the District.

Keyes Ferry Acres

- Blue Ridge Water Project

Progress report - Pentree

The Board and the Engineer discussed the progress of the Blue Ridge Water Project with Suzanne Koenig, President of the Homeowners Association, and Jay Disbrow, Vice President of the Homeowners Association. As members of the Homeowners Association they wanted to make certain that the Board understands they are willing to cooperate with them to insure the success of this project.

Public Service District: Water
Burr Industrial Park: Water

New Business:

Public Service District: Sewer

- Election of Officers

  The Chairman of the Board called for an election of Officers for the year 1998. Carole Hall made a motion that the slate of Officers remain the same. Carl Schultz seconded the motion, motion carried. The Board officers will be Stanley Zombro, Chairman; Carole Hall Secretary and Carl Schultz. Treasurer
- Disbursements

The General Manager presented the Board with the current bills for payment. Carl Schultz made a motion to pay the bills as presented. Carole Hall seconded the motion, motion carried.

Keyes Ferry Acres: Water

- Distribution Problems

  The General Manager discussed with the Board a problem of providing service for several customers in the central section. The maintenance department has been diligently trying to locate the problem with no success at this time. The General Manager was instructed to keep the Board up to date on this problem.
- Disbursements

The General Manager presented the Board with the current bills for payment. Carl Schultz made a motion to pay the bills as presented. Carole Hall seconded the motion, motion carried.

Public Service District: Water

- Disbursements

The General Manager presented the Board with the current bills for payment. Carl Schultz made a motion to pay the bills as presented. Carole Hall seconded the motion, motion carried.

Burr Industrial Park: Water

- Disbursements

The General Manager presented the Board with the current bills for payment. Carl Schultz made a motion to pay the bills as presented. Carole Hall seconded the motion, motion carried.

Carole Hall made a motion to adjourn the meeting and enter into the Executive Session. Carl Schultz seconded the motion. motion carried.

Executive Session

The Board discussed and excepted the resignation of an employee. The General Manager was instructed to interview prospective applicants and inform the Board of the favorable ones.

Carole Hall, Secretary

Next Meeting:

- January 28, 1998
- February 11, 1998

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

The undersigned SECRETARY of the Public Service Board of Jefferson County Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

*** *** ***

The Public Service Board of Jefferson County Public Service District met in special session, pursuant to notice duly posted, on the 18th day of June, 1998, in Ranson, West Virginia, at the hour of 9:00 a.m.

PRESENT:	Stanley Zombro	-	Chairman and Member
	Carole Hall	-	Secretary and Member
	Carl Schultz, III	-	Treasurer and Member
ABSENT:	None.		

Stanley Zombro, Chairman, presided, and Carole Hall, 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 ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $599,089 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM), AND NOT MORE THAN $662,039 IN AGGREGATE

PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1998 B (WEST VIRGINIA SRF PROGRAM) AND SEWER REVENUE BONDS, SERIES 1998 C (WEST VIRGINIA INFRASTRUCTURE FUND), OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT ; AUTHORIZING AND APPROVING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, upon motion duly made and seconded, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

*** *** ***

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

Stanley E. Zombro
Chairman

Carole A. Hall
Secretary

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of a regular meeting of said Public Service Board 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 25th day of June, 1998.

Secretary

06/15/98
450260/94001

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: June 25, 1998

(See Reverse for Instructions)

ISSUE: Jefferson County Public Service District Sewer Revenue Bonds Series 1998 B (West Virginia SRF Program)

ADDRESS: 210 West Third Avenue, Ranson, WV 25438 **COUNTY:** Jefferson

PURPOSE OF ISSUE: New Money X Refunding ___ **Refunds issue(s) dated:** ___

ISSUE DATE: June 25, 1998 **CLOSING DATE:** June 25, 1998

ISSUE AMOUNT: $ 599,089 **RATE:** 0% Administrative Fee: 1%

1st DEBT SERVICE DUE: 9/1/99 **1st PRINCIPAL DUE:** 9/1/99

1st DEBT SERVICE AMOUNT: $7,489 **PAYING AGENT:** Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

CLOSING BANK: F & M Bank - Blakeley
Contact Person: Laveania Hamilton
Phone: 728-4200

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Calvin Fleming
Position: General Manager
Phone: 725-4962 **FAX:** ___

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esq.
Phone: 340-1318

ESCROW TRUSTEE: ___
Contact Person: ___
Phone: ___

OTHER: WV Division of Environmental Protection
Contact Person: Rosalie Brodersen
Function: Branch Leader
Phone: 558-0637

DEPOSITS TO MBC AT CLOSE:

By ___ Wire
X Check

___ Accrued Interest: $ ___
___ Capitalized Interest: $ ___
X Reserve Account: $ 29,956
___ Other: ___ $ ___

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $ ___
___ To Issuer: $ ___
___ To Cons. Invest. Fund: $ ___
___ To Other: ___ $ ___

NOTES: RR = 29,956 FFAC 11/11
R/D =

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: ___
TRANSFERS REQUIRED: ___

26A

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basis facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: June 25, 1998

(See Reverse for Instructions)

ISSUE: Jefferson County Public Service District Sewer Revenue Bonds Series 1998 C (West Virginia Infrastructure Fund)

ADDRESS: 210 West Third Avenue, Ranson, WV 25438 COUNTY: Jefferson

PURPOSE OF ISSUE: New Money X Refunding ___ Refunds issue(s) dated: .

ISSUE DATE: June 25, 1998 CLOSING DATE: June 25, 1998

ISSUE AMOUNT: $ 662,039 RATE: 1%

1st DEBT SERVICE DUE: 9/1/2019 1st PRINCIPAL DUE: 9/1/2019

1st DEBT SERVICE AMOUNT: $9,575.62 PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

CLOSING BANK: F & M Bank - Blakeley
Contact Person: Laveania Hamilton
Phone: 728-4200

KNOWLEDGEABLE ISSUER CONTACT

Contact Person: Calvin Fleming
Position: General Manager
Phone: 725-4962 FAX: .

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esquire
Phone: 340-1318

ESCROW TRUSTEE:
Contact Person:
Phone:

OTHER: WV Infrastructure and Jobs Development Council
Contact Person: Susan Riggs
Function: Executive Director
Phone: 558-4607

DEPOSITS TO MBC AT CLOSE:

By ___ Wire
___ Check

___ Accrued Interest: $
___ Capitalized Interest: $
___ Reserve Account: $
___ Other: $

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $
___ To Issuer: $
___ To Cons. Invest. Fund: $
___ To Other: $

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS REQUIRED:

TRANSFERS REQUIRED:

26B

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basis facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

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2. Date of first action or debt service.
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The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER
SIXTH FLOOR
P. O. BOX 2190
CLARKSBURG, W. VA. 26302-2190
(304) 624-8000
FACSIMILE (304) 624-8183

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

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

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 262-354)

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

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 628
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER
1000 TECHNOLOGY DRIVE
P. O. BOX 2210
FAIRMONT, W. VA. 26554-8824
(304) 368-8000
FACSIMILE (304) 368-8413

June 25, 1998

WRITER'S DIRECT DIAL NUMBER

(304)624-8104

Jefferson County Public Service District
Sewer Revenue Bonds, Series 1998 C
(West Virginia Infrastructure Fund)

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Philadelphia, Pennsylvania 19255

Ladies and Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

Francesca Tan

Francesca Tan

Enclosure
Copy of letter with enclosure to:
Mr. Calvin Fleming
Samme L. Gee, Esquire
450260/94001

CL448927.1

Form **8038-G** (Rev. May 1995) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate instructions.

(Note: Use Form 8038-GC if the issue price is under $100,000.)

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

2 Issuer's employer identification number: 55 0662529

3 Number and street (or P.O. box if mail is not delivered to street address): 210 West Third Avenue — Room/suite:

4 Report number: G19 98 - 2

5 City, town, or post office, state, and ZIP code: Ranson, West Virginia 25438

6 Date of issue: 6/25/98

7 Name of issue: Jefferson County Public Service District Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund)

8 CUSIP number: None

Part II Type of Issue (check applicable box(es) and enter the issue price)

9	☐ Education (attach schedule–see instructions)	9	$
10	☐ Health and hospital (attach schedule–see instructions)	10	
11	☐ Transportation	11	
12	☐ Public safety	12	
13	☒ Environment (including sewage bonds)	13	$662,039
14	☐ Housing	14	
15	☐ Utilities	15	
16	☐ Other. Describe (see instructions) ▶	16	
17	If obligations are tax or other revenue anticipation bonds, check box ▶ ☐		
18	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations

	(a) Maturity date	(b) Interest rate	(c) Issue price	(d) Stated redemption price at maturity	(e) Weighted average maturity	(f) Yield	(g) Net interest cost
19 Final maturity	6/1/2038	1.000 %	$9,551.72	$9,551.72			
20 Entire issue			$662,039	$662,039	30.925 years	0.3102 %	0.3209 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

21	Proceeds used for accrued interest		21	-0-
22	Issue price of entire issue (enter amount from line 20, column (c))		22	$662,039
23	Proceeds used for bond issuance costs (including underwriters' discount)	23 -0-		
24	Proceeds used for credit enhancement	24 -0-		
25	Proceeds allocated to reasonably required reserve or replacement fund	25 -0-		
26	Proceeds used to currently refund prior issues	26 -0-		
27	Proceeds used to advance refund prior issues	27 -0-		
28	Total (add lines 23 through 27)		28	-0-
29	Nonrefunding proceeds of the issue (subtract line 28 from line 22 and enter amount here)		29	$662,039

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.) N/A

30 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ ____ years

31 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ ____ years

32 Enter the last date on which the refunded bonds will be called ▶

33 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

34	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	34	-0-
35	Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(III) (small issuer exception)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	-0-
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	-0-

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ ____ and the date of the issue ▶ ____

38 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

If the issuer has identified a hedge, check box ▶ ☐

Please Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Stanley E. Zorbro — Signature of issuer's authorized representative — Date: 6/25/98 — Stanley Zorbro, Chairman — Type or print name and title

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Cat. No. 63773S Form 8038-G (Rev. 5-95)

Printed on recycled paper

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1. ☒ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
Internal Revenue SErvice
Internal Revenue Service Center
Philadelphia, PA 19255

4a. Article Number
P 020 664 282

4b. Service Type
☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

RECEIVED JUN 29 1998 PHILADELPHIA, PA

PS Form 3811, November 1990 ☆U.S. GPO: 1991—287-088 DOMESTIC RETURN RECEIPT

P 020 664 282

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

Sent to Internal Revenue Service	
Street and No. Internal Rev. Service Center	
P.O., State and ZIP Code Philadelphia, PA 19255	
Postage	$ .52
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	1.00
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	$ 2.52
Postmark or Date 6/26/98	

PS Form 3800, June 1985

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

F & M BANK - BLAKELEY, Ranson, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Jefferson County Public Service District (the "Issuer") adopted June 18, 1998, and the Supplemental Resolution of the Issuer adopted June 18, 1998 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), and Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), both dated June 25, 1998, issued in the respective principal amounts of $599,089 and $662,039 (collectively, 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 25th day of June, 1998.

F & M BANK - BLAKELEY

Lorraine M. Hamilton
Assistant Vice President

06/15/98
450260/94001

CL448935.1

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Jefferson County Public Service District Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), and Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), both dated June 25, 1998, issued in the respective principal amounts of $599,089 and $662,039 (collectively, 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 25th day of June, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION

Charlotte L Morgan
Assistant Vice President

06/15/98
450260/94001

CL448941.1

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Jefferson County Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Sewer Revenue Bond, Series 1998 B (West Virginia SRF Program), of the Issuer, dated June 25, 1998, in the principal amount of $599,089, numbered BR-1, was registered as to principal only in the name of "West Virginia Water Development Authority", and the single, fully registered Sewer Revenue Bond, Series 1998 C (West Virginia Infrastructure Fund), of the Issuer, dated June 25, 1998 in the principal amount of $662,039, numbered CR-1, was registered as to principal and interest 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 One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 25th day of June, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION

Charlotte S Morgan
Assistant Vice President

06/15/98
450260/94001

CL448944.1

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 25th day of June, 1998, by and between JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $599,089 Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), and $662,039 Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), in fully registered form (collectively, the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted June 18, 1998, and the Supplemental Resolution of the Issuer duly adopted June 18, 1998 (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: Jefferson County Public Service District
210 West Third Avenue
Ranson, West Virginia 25438
Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

8. 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.

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

Stanley E. Zombro
Chairman

ONE VALLEY BANK, NATIONAL
ASSOCIATION

Charlotte S. Morgan
Assistant Vice President

06/12/98
450260/94001

EXHIBIT A

Bond Legislation included in bond transcript as Documents Nos. 1 and 2.

Invoice

ONEVALLEY BANK

JEFFERSON COUNTY PUBLIC SERVICE
DISTRICT

DATE JUNE 25, 1998

UNITS	ITEM DESCRIPTION	TOTAL
	JEFFERSON COUNTY PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, SERIES 1998 B (WV SRF PROGRAM) AND SERIES 1998 C (WV INFRASTRUCTURE FUND) AND SEWERAGE SYSTEM CONSTRUCTION NOTES, SERIES 1998 (WV HOUSING DEVELOPMENT FUND)	
	ONE TIME FEE FOR SERVICES AS REGISTRAR AND AUTHENTICATING AGENT.....	$250.00

SEND REMITTANCE TO: One Valley Bank
One Financial Place - 6th Floor
One Valley Square
P.O. Box 1793
Charleston, WV 25326
ATTN: CHARLOTTE S MORGAN

VB
C. ASSIST.

DIVISION OF ENVIRONMENTAL PROTECTION
1201 Greenbrier Street
Charleston, WV 25311-1088

CECIL H. UNDERWOOD
GOVERNOR

JOHN E. CAFFREY
DIRECTOR

April 10, 1998

RECEIVED
APR 09 1998
Water Resources
Construction Assistance

William B. Stine, Jr.
General Manager
Jefferson County PSD
210 West Third Street
Ranson, WV 25438

CERTIFIED RETURN RECEIPT REQUESTED
Re: WV/NPDES Permit No. WV0084361
Modification No. 3

Dear Mr. Stine:

This letter serves as Modification No. 3 of your existing WV/NPDES Water Pollution Control Permit No. WV0084361 issued the 13th day of September 1993.

After reviewing your permit and your application for Modification No. WV0084361-B dated the 2nd day of December 1997, the above referenced permit is hereby modified to include the operation and maintenance of the existing sewage collection system previously owned by the Walnut Grove Subdivision. Also, to modify the permit to include the acquisition, construction, installation, operation, and maintenance of an upgrade of the existing Walnut Grove Subdivision collection system consisting of 10,910 linear feet of eight (8) inch gravity sewer line, 4,690 linear feet of 10 inch gravity sewer line, 2,280 linear feet of 18 inch gravity sewer line, 2,560 linear feet of 21 inch gravity sewer line, one (1) 313 gpm lift station, one (1) 20 gpm grinder pump station, 5,620 linear feet of eight (8) inch force main, 690 linear feet of two (2) inch force main, and all necessary appurtenances.

SEWAGE COLLECTION SYSTEM UPGRADE TO BE CONSTRUCTED IN ACCORDANCE WITH:

Plans and Specifications:

Date Approved:	December 1, 1997
Prepared by:	Pentree, Inc. P.O. Box 1309 Princeton, WV 24740-1309
Title:	Jefferson County PSD Walnut Grove Sewer Project

All other terms and conditions of the subject permit shall remain in effect and unchanged.

Very truly yours,

OFFICE OF WATER RESOURCES

Barbara S. Taylor
Chief

BST/rb

cc: Env. Inspector Supervisor
Env. Inspector

COPY

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM CONSTRUCTION NOTE, SERIES 1998
(WEST VIRGINIA HOUSING DEVELOPMENT FUND)

No. R-1 $950,000

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the sources and in the manner provided therefor, as hereinafter set forth, to the West Virginia Housing Development Fund (the "HDF") or registered assigns, the principal sum of NINE HUNDRED FIFTY THOUSAND DOLLARS ($950,000), 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 and Repayments attached hereto and incorporated herein by reference as a part hereof, with no interest. If not sooner paid, the entire outstanding principal amount of this Note shall be due and payable on June 25, 2008.

The aggregate principal amount of this Note need not be paid to the Issuer upon delivery of this Note but may be advanced to the Issuer as requested by the Issuer on a revolving basis from time to time; and this Note shall evidence only the indebtedness recorded on the Record of Advances and Repayments attached hereto. The Issuer shall have the right under this Note to borrow, repay and reborrow; provided the principal amount at any time outstanding shall not exceed $950,000 or the aggregate amount of the then existing LOC (as hereinafter defined), whichever is less, and the total of all borrowings and reborrowings shall not exceed $1,560,000. The Issuer shall have the right to borrow, repay and reborrow such amounts until June 25, 2008, or until such earlier date as a default occurs on this Note.

The principal of this Note is 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 West Virginia Housing Development Fund, Charleston, West Virginia (the "Paying Agent").

This Note may be prepaid, in whole or in part, at any time, without penalty.

This Note evidences the indebtedness which the Issuer is obligated to pay the HDF, pursuant to the terms and conditions of the Loan Agreement dated June 25, 1998, by and between the Issuer and the HDF (the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Loan Agreement.

This Note is issued (i) to temporarily finance a portion of the costs of acquisition and construction of improvements and extensions 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 sewerage facilities of the Issuer, the Project and any further extensions and improvements 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"), a Notes Resolution duly adopted by the Issuer on June 18, 1998, and a Supplemental Resolution duly adopted by the Issuer on June 18, 1998 (collectively, the "Notes Legislation"), and is subject to all the terms and conditions thereof.

The principal of this Note is payable only from and secured by a first lien on (i) the proceeds of any grants or other financial assistance to be received by the Issuer for the System; (ii) the proceeds of any revenue bonds, refunding bonds or other obligations of the Issuer, issued subsequent to the issuance of the Notes to permanently finance the costs of acquisition and construction of the Project (but not the proceeds of the Series 1998 Bonds); (iii) Surplus Revenues, if any, derived from the operation of the System; and (iv) the letters of credit or other surety acceptable to the HDF obtained by the developers of the Walnut Grove, Breckenridge, Cambridge and Briar Run subdivisions (collectively, the "LOC"). The moneys from these sources shall be deposited into the Notes Payment Fund established under the Notes Legislation for the prompt payment of the principal of this Note.

This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same except from the sources set forth above. Under the Notes Legislation, the Issuer has entered into certain covenants with the HDF, for the terms of which reference is made to said Notes Legislation. Remedies provided the HDF are exclusively as provided in the Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth herein, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Notes Legislation, only by transfer of registration upon the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), to be made at the request of the registered owner hereof in person or by his attorney duly authorized in writing,

and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

All moneys received from the sale of this Note shall be applied solely to the payment of the costs of the 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 moneys, until so applied, in favor of the registered owner of this Note.

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 Note do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Note, 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, resolutions and statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

This Note shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, JEFFERSON COUNTY 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 June 25, 1998.

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

[SEAL]

Stanley E. Zombro
Chairman

ATTEST:

Carole R. Hall
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 owned set forth above.

Date: June 25, 1998.

ONE VALLEY BANK,
NATIONAL ASSOCIATION,
Registrar

Charlotte S Morgan

Authorized Officer

RECORD OF ADVANCES AND REPAYMENTS

	AMOUNT OF ADVANCE	DATE OF ADVANCE	AMOUNT OF REPAYMENT	DATE OF REPAYMENT
(1)	$299,084	6-25-98	$	
(2)	$		$	
(3)	$		$	
(4)	$		$	
(5)	$		$	
(6)	$		$	
(7)	$		$	
(8)	$		$	
(9)	$		$	
(10)	$		$	
(11)	$		$	
(12)	$		$	
(13)	$		$	
(14)	$		$	
(15)	$		$	
(16)	$		$	
(17)	$		$	
(18)	$		$	
(19)	$		$	
(20)	$		$	
(21)	$		$	
(22)	$		$	
(23)	$		$	

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 the said Note on the books of the Issuer with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

(August 1996)

GRANT AGREEMENT

This Grant Agreement entered into between the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") and the Jefferson County Public Service District (the "Governmental Agency").

RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed $140,071 (the "Grant") for the purpose of the acquisition and construction/design/planning of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purpose of constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Agreement sets forth the Council, the Authority and the Governmental Agency's understanding and agreements with regard to the Grant.

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

TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources.

2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority and the Council.

3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.

4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.

5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.

6. The Governmental Agency acknowledges that the Grant may be reduced, from time to time, to reflect actual Project costs and availability of other funding.

7. The Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Grant held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Grant available due to bid/construction/project underruns.

8. This Agreement shall be governed by the laws of the State of West Virginia.

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

JEFFERSON COUNTY PUBLIC
SERVICE DISTRICT

By: Stanley E. Zornkro
Its: Chairman

Date: 6/25/98

SEAL

ATTEST

Carole A. Hall
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: Daniel B. Yankosky
Director

Date: June 25, 1998

SEAL

ATTEST

Barbara B Meadows
Secretary - Treasurer

EXHIBIT A

The initial portion of the project consists of approximately 23,000 lf of sewer line, 6,000 lf of force main, 80 manholes and one pump station and all necessary appurtenances to upgrade the Walnut Grove wastewater collection system, provide a gravity connection to Sanitary Associates and serve several new housing developments. The total cost of this portion of the project is $1,976,013. Additionally, the District will be purchasing collection lines by means of alternate main line agreements with certain developers. The total cost of both portions of the project is $2,351,199.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1988 A AND SERIES 1988 B
and
SEWERAGE SYSTEM
INTERIM CONSTRUCTION FINANCING

BOND AND NOTES RESOLUTION

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05/04/88
JEFF3-B

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1988 A, NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1988 B, AND NOT MORE THAN $4,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; 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 RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL 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 JEFFERSON COUNTY 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. Jefferson County Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer does not presently own or operate a public sewage treatment, collection or transportation system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain sewerage facilities of the Issuer, consisting of small diameter and gravity collection lines, pump stations and all appurtenant facilities (the "Project") which constitute properties for the collection and transportation of liquid or solid wastes, sewage or industrial wastes (the Project and any additions thereto or extensions thereof is herein called the "System") at an estimated cost of $7,049,982, 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 Fund, Reserve Account 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 $3,500,000 in two series, being the Series 1988 A Bonds in the aggregate principal amount of not more than $2,500,000, and the Series 1988 B Bonds in the aggregate principal amount of not more than $1,000,000 (collectively, the "Bonds"), and (at the option of the Issuer) to issue contemporaneously therewith, or as soon as practicable thereafter, its sewerage system grant anticipation notes, or a note or notes evidencing a line of credit, or both (collectively, the "Notes") in the aggregate principal amount of not more than $4,000,000 to temporarily finance costs of construction and acquisition of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Bonds prior to and during construction or acquisition and for 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 Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition 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 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 (as hereinafter defined) be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") both dated April 29, 1988, entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, and attached hereto as "Exhibit A," and made a part hereof.

G. There are not outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bonds as to lien and source of and security for payment. The Series 1988 B Bonds shall be junior and subordinate to the Series 1988 A Bonds as set forth herein. The Notes, if issued, will not be payable from the Net Revenues, but shall be payable from Grant Receipts, Surplus Revenues and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture or the Supplemental Resolution authorizing the Notes.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bonds and the Notes, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity and approval of 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 have expired.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds and the Notes by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a

contract between the Issuer and such Bondholders and such Noteholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds and Notes, 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 and any other Note, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

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

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

"Bonds" means 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.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the 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 Howard, Needles, Tammen & Bergendoff, 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 construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

"Eligible Costs" means Costs of the Project which are reimbursable in full on a dollar-for-dollar basis from EPA Grant Receipts, the total of which are equal in amount to the EPA Grant.

"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.

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Series 1988 A Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Series 1988 A Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

"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 may hereafter be constituted.

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

"Grant Agreement" means a written commitment for 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 Grant is to be paid to the Issuer; provided that, "EPA Grant Agreement" means only the Grant Agreement relating to the EPA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

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

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

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1988 A Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1988 A Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Series 1988 A Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior bonds and which are deemed to become proceeds of the Series 1988 A Bonds ratably as original proceeds of the Series 1988 A Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Series 1988 A Bonds, which are held in any fund to the extent that the Issuer reasonably expects to use such other fund to pay Debt Service;

(v) Amounts in the Reserve Accounts and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Series 1988 A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1988 A Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

"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 be entered into between the Issuer and the Trustee relating to 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 or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Jefferson County Public Service District, in Jefferson 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, both dated April 29, 1988, heretofore 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 ratified and confirmed by, this Resolution or a resolution adopted by the Issuer prior to the adoption of this Resolution.

"Net Proceeds" means the face amount of the Series 1988 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds 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 1988 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Bonds and is not acquired in order to carry out the governmental purpose of the 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" or "GAN" means collectively, the not more than $4,000,000 in aggregate principal amount of Sewerage System Grant Anticipation Notes, originally authorized hereby, or the not more than $4,000,000 in aggregate principal amount of a note or notes evidencing a line of credit originally authorized hereby, and unless the context clearly indicates otherwise, the terms "Notes" or "GAN" includes any refunding Notes or GAN of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by Section 4.02 of the Indenture.

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

"Notes Registrar" means the bank to be designated as such in the Indenture or the Supplemental Resolution 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 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 $2,500,000 in aggregate principal amount of Series 1988 A Bonds and the not more than $1,000,000 in aggregate principal amount of Series 1988 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event grant anticipation notes are issued, Young Moore & Company (a Division of Tucker Anthony and R. L. Day, Inc.), of Charleston, West Virginia, or such other original purchaser of the Notes as shall be named in a resolution supplemental hereto, 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 collectively, the EPA Grant and any other grant hereafter received by the Issuer to aid in financing any Costs.

"Outstanding," when used with reference to Bonds or Notes and as of any particular date, describes all Bonds theretofore and thereupon being authenticated 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 sanitary sewerage facilities of the Issuer, consisting of small diameter and gravity collection lines, pump stations and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 1988 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 1988 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series 1988 A Bonds of each maturity is sold or, if the Series 1988 A Bonds are privately placed, the price paid by the first buyer of the Series 1988 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the

Nonpurpose Investments on the date of use of Gross Proceeds of the Series 1988 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1988 A Bonds.

"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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner," "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 temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

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

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

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

"Series 1988 A Bonds" or "Series A Bonds" means the not more than $2,500,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1988 A, of the Issuer.

"Series 1988 A Bonds Reserve Account" means the Series 1988 A Bonds Reserve Account established in the Series 1988 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1988 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 1988 A Bonds in the then current or any succeeding year.

"Series 1988 A Bonds Sinking Fund" means the Series 1988 A Sinking Fund established by Section 5.02 hereof.

"Series 1988 B Bonds" or "Series B Bonds" means the not more than $1,000,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1988 B, of the Issuer.

"Series 1988 B Bonds Reserve Account" means the Series 1988 B Bonds Reserve Account established in the Series 1988 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1988 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1988 B Bonds in the then current or any succeeding year.

"Series 1988 B Bonds Sinking Fund" means the Series 1988 B 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 resolutions authorizing the sale of the Notes or the Original Bonds; 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 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 public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever, and includes the Project.

"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.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series 1988 A Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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 CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the construction and acquisition of the Project, at an estimated cost of $7,049,982, 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 1988 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any of such purposes, there shall be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $3,500,000. Said Bonds shall be issued in two series, to be designated respectively, "Sewer Revenue Bonds, Series 1988 A," in the aggregate principal amount of not more than $2,500,000, and "Sewer Revenue Bonds, Series 1988 B," in the aggregate principal amount of not more than $1,000,000, 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 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 the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

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

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

incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said 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, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this 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 preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond

Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Series 1988 B Bonds to be Junior and Subordinate to Series 1988 A Bonds. The payment of the debt service of all the Series 1988 A Bonds shall be secured forthwith equally and ratably with each other, by a first lien on the Net Revenues derived from the System. The payment of the debt service of all the Series 1988 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 1988 A 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 3.09. Form of Original Bonds. The text of the Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 1988 A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1988 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson 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 _____ ($_____), in installments on _____ 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 rate 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 _____ 1 and _____ 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 _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewage collection and transportation 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 approximately _____ months thereafter; (iii) [to fund a reserve account for the Bonds]; and (iv) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on _____, 1988 (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 1988 B, of the Issuer (the "Series 1988 B Bonds"), issued in the aggregate principal amount of $_____, which Series 1988 B Bonds are junior and subordinate with respect to liens and sources of and security for payment to the 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, moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1988 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1988 B Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1988 A 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 amount required to pay the maximum amount due in any year of principal of and interest on the Bonds, the Series 1988 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a

parity with the Bonds or the Series 1988 B Bonds, provided however, that so long as there exists in the Series 1988 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 any year, and in the respective reserve accounts established for the Series 1988 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1988 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the 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, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1988.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 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 1988 B Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1988 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson 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 _____ ($_____), 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 _____, 198__.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain new sewage collection and transportation facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds]; and (iii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Resolution and Supplemental Resolution, duly adopted by the Issuer on _____, 1988 (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, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE OUTSTANDING SEWER REVENUE BONDS, SERIES 1988 A, OF THE ISSUER (THE "SERIES 1988 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ AND DESCRIBED 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 after there has first been paid from said Net Revenues all payments then due and owing on account of the Series 1988 A Bonds herein described and to all moneys in the Reserve Account created under the Bond Legislation for the Bonds of this Series (the "Bonds"), and unexpended proceeds of the Bonds of this series. 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 1988 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 amount required to pay the maximum amount due in any year of principal of and interest, if any, on the Bonds, the Series 1988 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1988 A Bonds or the Bonds, provided however, that so long as there exists in the Series 1988 B Bonds Reserve Account and the reserve account established for the Series 1988 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1988 A Bonds in any 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 1988 A Bonds.

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, JEFFERSON COUNTY PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed hereon and attested by its Secretary, and has caused this Bond to be dated _____, 1988.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1988 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:

_____

Section 3.10. Sale of Original Bonds; 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, ratified and approved.

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, 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 grant anticipation notes or as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution 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 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 supplemental resolution, 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 the Grant Receipts, Surplus Revenues, letter of credit proceeds, if any, and other sources described in the Indenture or supplemental resolution. 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 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 $1,000,000 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 of letter of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by, the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Series 1988 A Bonds Sinking Fund;

(a) Within the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account.

(2) Series 1988 B Bonds Sinking Fund;

(a) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account.

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

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

(2) Thereafter, from the moneys remaining in the Revenue Fund, the Issuer shall next, on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1988 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 1988 A Bonds Sinking Fund, a sum

equal to 1/6th of the amount of interest which will become due on said Series 1988 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 1988 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.

(3) 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 1988 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1988 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 1988 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.

(4) 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 1988 A Bonds, if not fully funded upon issuance of the Series 1988 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1988 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1988 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 1988 A Bonds Reserve Requirement.

(5) 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 the Series 1988 A Bonds 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 1988 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account has not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(6) 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 1988 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1988 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 1988 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.

(7) 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 1988 B Bonds, if not fully funded upon issuance of the Series 1988 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1988 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1988 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1988 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 1988 B Bonds Reserve Requirement.

Moneys in the Series 1988 A Bonds Sinking Fund and the Series 1988 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall

become due. Moneys in the Series 1988 A Bonds Reserve Account and the Series 1988 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

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

Any withdrawals from the Series 1988 A Bonds Reserve Account which result in a reduction in the balance of the Series 1988 A Bonds Reserve Account to below the Series 1988 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1988 A Bonds Sinking Fund for payment of debt service on the Bonds have been made in full.

Any withdrawals from the Series 1988 B Bonds Reserve Account which result in a reduction in the balance of the Series 1988 B Bonds Reserve Account to below the Series 1988 B Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account, the Renewal and Replacement Fund and the Series 1988 B Bonds Sinking Fund have been made in full.

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

The Issuer shall not be required to make any further payments into the Series 1988 A Bonds Sinking Fund, or the Series 1988 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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

The payments into the Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a 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.

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

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, 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. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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.

ARTICLE VI

BOND PROCEEDS; FUNDS AND ACCOUNTS

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 1988 A Bonds, there shall first be deposited with the Commission in the Series 1988 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 1988 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 1988 A Bonds, there shall be deposited with the Commission in the Series 1988 A Bonds Reserve Account and from the proceeds of the Series 1988 B Bonds, there shall be deposited with the Commission in the Series 1988 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1988 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. 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 1988 A Bonds, and thereafter for the Series 1988 B 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.

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 therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1988 A Bonds Reserve Account, and when fully funded to the Series 1988 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys

in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1988 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 1988 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 7.04 and Section 7.09 shall not be applied to the Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds 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. The payment of the debt service of the Series 1988 A 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 and payment of the debt service of the Series 1988 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 1988 A 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 March 30, 1988 (Case No. 87-436-S-CN).

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 Resolution in accordance with Section 10.01 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 Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. 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 Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 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 the Notes issued under the Indenture 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 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 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 1988 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 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 1988 A Bonds and the Series 1988 B 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 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 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 1988 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1988 A Bonds, unless the Series 1988 B Bonds are no longer outstanding.

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer and approved by the Public Service Commission of West Virginia, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

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

addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1988 A Bonds and the Series 1988 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1988 A Bonds or the Series 1988 B Bonds.

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

B. Notwithstanding the foregoing, or any provision of Section 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 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 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 an 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.

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 and the Authority and to any Holder of any Bonds or Notes, as the case may be, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Trustee and to any Holder of any Bonds or Notes, as the case may be, or anyone acting for and in behalf of such Holder of any Bonds or Notes, as the case may be.

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation

of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds or 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 in the full insurable value thereof, 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 $100,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

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

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

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the

tax-exempt status of the 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 those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) 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 1988 A Bonds shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1988 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 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.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with

respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment

Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date of the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment 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 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 by this Subsection D, 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.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with

the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, 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.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority.

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 1988 B Bonds shall be subject to those of the Holders of the Series 1988 A 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 1988 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 1988 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 1988 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 1988 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1988 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 1988 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 1988 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 1988 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 1988 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 1988 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 1988 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 1988 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 1988 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1988 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 and interest, if any, on such Series 1988 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 1988 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 and interest, if any, due and to become due on said Series 1988 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 and interest, if any, on said Series 1988 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 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 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to the 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.

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 1988 A Bonds or the Series 1988 B 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 excludability of interest on the Bonds and the Notes 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 or resolutions and or parts thereof in conflict with the

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

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

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a certificate of convenience and necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Jefferson County 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 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 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 2nd day of May, 1988.

Stanley E. Zonlero
Chairman, Public Service Board

Carole A. Hall
Member, Public Service Board

Thomas M. Hecht
Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution adopted by the Public Service Board of Jefferson County Public Service District on the 2nd day of May, 1988.

Dated: May 5, 1988.

[SEAL]

Secretary, Public Service Board

05/04/88
JEFF3/4-A/A

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds,
Series 1988 A and Series 1988 B

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 1988 A AND SERIES 1988 B OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; AUTHORIZING, APPROVING AND RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH 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 Jefferson County Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective May 2, 1988 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1988 A, NOT MORE THAN $500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1988 B, AND NOT MORE THAN $2,000,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES OR BOTH; 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 RATIFYING A LOAN AGREEMENT AND SUPPLEMENTAL 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, the Bond Resolution provides for the issuance of Sewer Revenue Bonds of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed $2,500,000, to be issued in two series, the Series 1988 A Bonds to be in an aggregate principal amount of not more than $2,000,000 (the "Series 1988 A Bonds") and the Series 1988 B Bonds to be in an aggregate principal amount of not more than $500,000 (the "Series 1988 B Bonds"), and has preliminarily authorized the execution and delivery of a loan agreement relating to the Series 1988 A Bonds dated April 29, 1988, and a supplemental loan agreement relating to the Series 1988 B Bonds, also dated April 29, 1988 (sometimes collectively referred to herein as the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority"), all in accordance with West Virginia Code, 1931, as amended, Chapter 16, Article 13A (the "Act"); and in the Bond 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 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 JEFFERSON COUNTY PUBLIC SERVICE DISTRICT:

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

(A) The Sewer Revenue Bonds, Series 1988 A, of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $1,703,069. The Series 1988 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2028, shall bear interest at the rate of 9.0% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1988, 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 1988 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 to the Series 1988 A Bonds and to the Loan Agreement and incorporated therein by reference.

(B) The Sewer Revenue Bonds, Series 1988 B, of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $425,767. The Series 1988 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2028, 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 1988 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 to the Series 1988 B Bonds and to the Supplemental Loan Agreement and incorporated therein by reference.

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

Section 3. The Issuer does hereby approve, accept and ratify 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 ratified 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 Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and One Valley Bank, National Association, in substantially the form attached hereto, and the execution and delivery by the Chairman of the Registrar's Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint Blakely Bank & Trust Co., Ranson, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. Series 1988 A Bonds proceeds in the amount of $ 127,730 shall be deposited in the Series 1988 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 1988 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1988 A Bonds Reserve Account and Series 1988 B Bonds proceeds in the amount of $-0- shall be deposited in the Series 1988 B Bonds Reserve Account.

Section 9. The balance of the proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of Costs of the Project, including costs of issuance of the Bonds and repayment of any borrowings previously incurred for the Project.

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, including, but not limited to, all borrowings from West Virginia Water Development Authority, and any borrowings incurred for the purpose of paying costs of design of the Project.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered on or about May 5, 1988, to the Authority pursuant to the Loan Agreement.

Section 12. The financing of the Project in part with proceeds of the Bonds is in the public interest, serves a public

purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution in the West Virginia "Consolidated Fund," and therefore the Issuer hereby directs the Depository Bank and the Paying Agent to take such actions as may be necessary to cause such moneys to be invested in the Consolidated Fund, until further directed by the Issuer.

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 any regulations promulgated thereunder (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. They 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 2nd day of May, 1988.

JEFFERSON COUNTY PUBLIC SERVICE
DISTRICT

Stanley E. Zombro
Chairman

05/04/88
JEFF4-B

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 1993 A
(WEST VIRGINIA SRF PROGRAM)

BOND RESOLUTION

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JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE COMPLETION OF ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $971,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1993 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 AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY 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. Jefferson County Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer has heretofore issued its Sewer Revenue Bonds, Series 1988 A (the "Series 1988 A Bonds"), and Sewer Revenue Bonds, Series 1988 B (the "Series 1988 B Bonds"), both dated May 5, 1988, in the original aggregate principal amount of $2,128,836 (collectively, the "Prior Bonds"). The Prior Bonds were issued pursuant to a bond and notes resolution adopted by the Issuer on May 2, 1988 (the "Prior Resolution"). Proceeds of the Prior Bonds

were used to pay a portion of the costs of acquisition and construction of certain new public sewerage facilities of the Issuer (the "Project") (the Project and any further additions thereto or extensions thereof are herein called the "System"). However, such proceeds and available grant proceeds were insufficient to complete the Project. Accordingly, it is necessary for the Issuer to borrow an additional amount to finance the costs of completing the Project and to reimburse the Issuer for any funds of the Issuer expended on the Project.

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 1993 A 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 completion bonds designated as "Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program)," in the total aggregate principal amount of not more than $971,000, initially to be represented by a single bond (the "Series 1993 A Bonds"), to finance the costs of completion of acquisition and construction of the Project not otherwise provided therefor. 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 1993 A Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 1993 A Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1993 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the completion of 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 1993 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The Issuer intends to permanently finance such costs of completion 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.

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 1993 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") 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. Other than the Prior Bonds, there are no outstanding obligations of the Issuer which will rank prior to or on a parity with the Series 1993 A Bonds as to liens, pledge and/or source of and security for payment. The Issuer has met the parity requirements of the Series 1988 A Bonds and the Prior Resolution (as hereinafter defined). The Series 1993 A Bonds shall be issued on a parity with the Series 1988 A Bonds, and senior and prior to the Series 1988 B Bonds, with respect to liens, pledge and source of and security for payment and in all other respects.

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 1993 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, if required, 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 1993 A Bonds or such final order will not be subject to appeal or rehearing.

J. The Prior Resolution, in Section 7.07(B) thereof, permits the issuance of the Series 1993 A Bonds on a parity with the Series 1988 A Bonds for the purpose of completion of acquisition and construction of the Project with no further restrictions if there is

first obtained the written consent of the Authority, which written consent will be obtained prior to issuance of the Series 1993 A Bonds.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1993 A Bonds by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Series 1993 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 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 1993 A 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," "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" or "Bond Resolution" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

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

"Bond Year" means each one-year period (or shorter period from the date of issue of the Series 1993 A 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 1993 A Bonds and 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 Mark W. Jeffries, P.E., Warrenton, 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; 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 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 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 Receipts" means all grant moneys received by the Issuer to aid in the acquisition and construction of the Project.

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

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Jefferson County Public Service District, in Jefferson 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 among the Authority, the DEP and the Issuer, providing for the purchase of the Series 1993 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.

"Net Proceeds" means the face amount of the Series 1993 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1993 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1993 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1993 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1993 A Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, 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, 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 moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer;

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

"Paying Agent" means the bank or banks or other entity designated as such for the Series 1993 A Bonds in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means, collectively, the Issuer's Sewer Revenue Bonds, Series 1988 A, and Sewer Revenue Bonds, Series 1988 B, both dated May 5, 1988, issued in the original aggregate principal amount of $2,128,836.

"Prior Resolution" means, the resolution of the Issuer adopted May 2, 1988, authorizing the Prior Bonds.

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

"Project" means the acquisition and construction of certain new public sewerage facilities of the Issuer, consisting of small diameter and gravity collection lines, pump stations, together with all appurtenant facilities.

"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 exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

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

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

"Series 1988 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1988 A, dated May 5, 1988, issued in the original aggregate principal amount of $1,703,069.

"Series 1988 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of $425,767.

"Series 1993 A Bonds" means the not more than $971,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), of the Issuer.

"Series 1993 A Bonds Reserve Account" means the Series 1993 A Bonds Reserve Account established in the Series 1993 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1993 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 1993 A Bonds in the then current or any succeeding year.

"Series 1993 A Bonds Sinking Fund" means the Series 1993 A Bonds Sinking Fund established by Section 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 Series 1993 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1993 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 1993 A 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, in its entirety or any integral part thereof, and shall include the Project and any 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.

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 COMPLETION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Completion of Acquisition and Construction of the Project. There is hereby authorized the completion of acquisition and construction of the Project, 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 1993 A Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids and has entered into contracts for the completion of 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 1993 A Bonds, funding a reserve account for the Series 1993 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1993 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 1993 A Bonds of the Issuer, in an aggregate principal amount of not more than $971,000. The Series 1993 A Bonds shall be issued as a single bond, designated as "Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program)," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1993 A Bonds remaining after funding of the Series 1993 A 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 1993 A 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 1993 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, if any, on the Series 1993 A Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1993 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1993 A Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1993 A Bonds shall be exchangeable at the option and expense of the Holder for another fully registered Bond or Bonds of the same

series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The 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 1993 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 1993 A Bonds shall cease to be such officer of the Issuer before the Series 1993 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 1993 A Bond 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 1993 A 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 1993 A 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 1993 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 1993 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and

incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1993 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of such Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing

a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1993 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 and amounts, if any, in the Series 1993 A Bonds Reserve Account. No holder or holders of the Series 1993 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1993 A Bonds or the interest 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 all the Series 1993 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Series 1988 A Bonds and senior and prior to the lien on such Net Revenues in favor of the Holders of the Series 1988 B 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 are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1993 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1993 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 1993 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 1993 A Bonds to the original purchasers; and

C. The unqualified approving opinion of bond counsel on the Series 1993 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 1993 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 1993 A
(WEST VIRGINIA SRF PROGRAM)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Jefferson 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.

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 by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, dated _____, 199___.

This Bond is a completion bond and is issued (i) to pay a portion of the costs of completion of acquisition and construction of certain new public 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 future 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 20, Article 5I of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1988 A, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,703,069 (THE "SERIES 1988 A BONDS"), AND SENIOR AND PRIOR TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 1988 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1993 A Bonds Reserve Account") and unexpended proceeds of the Bonds. 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 which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1993 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, the Series 1988 A Bonds, the Series 1988 B Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1993 A Bonds Reserve

Account an amount at least equal to the maximum amount of principal and interest, 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 the Series 1988 A Bonds, the Series 1988 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owner of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owner 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.

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, if any, 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, JEFFERSON COUNTY 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 1993 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

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 $_____

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 1993 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same, and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

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" attached to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

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

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

(3) Rebate Fund (created and established by the Prior Resolution); and

(4) 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 Resolution) with the Commission:

(1) Series 1988 A Bonds Sinking Fund (created and established by the Prior Resolution);

(a) Within the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account (created and established by the Prior Resolution).

(2) Series 1988 B Bonds Sinking Fund (created and established by the Prior Resolution);

(a) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account (created and established by the Prior Resolution).

(3) Series 1993 A Bonds Sinking Fund;

(a) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 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 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) on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amount required by the Prior Resolution to be deposited in the Series 1988 A Bonds Sinking Fund for payment of principal of and interest on the Series 1988 A Bonds, and (ii) simultaneously with the transfer 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 of the Series 1993 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1993 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 1993 A Bonds Sinking Fund and the next quarterly 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 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 1988 A Bonds Reserve Account, and (ii) simultaneously, with the transfer 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 1993 A Bonds, if not fully funded upon issuance of the Series 1993 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1993 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1993 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1993 A Bonds Reserve Account when there

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

(4) 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 the Prior Resolution and 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 and as permitted under the Prior Resolution; provided, that any deficiencies in the Series 1988 A Bonds Reserve Account and the Series 1993 A Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amount required by the Prior Resolution to be deposited in the Series 1988 B Bonds Sinking Fund for payment of principal of the Series 1988 B Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amount required by the Prior Resolution to be deposited in the Series 1988 B Bonds Reserve Account.

Moneys in the Series 1993 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 1993 A Bonds as the same shall become due. Moneys in the Series 1993 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 1993 A Bonds, as the same shall come due, when other moneys in the Series 1993 A Bonds 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 Series 1993 A Bonds Sinking Fund and the Series 1993 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 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 due on the Series 1993 A Bonds, if any, 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 1993 A Bonds Reserve Account which result in a reduction in the balance of the Series 1993 A Bonds Reserve Account to below the Series 1993 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1988 A Bonds Sinking Fund, the Series 1988 A Bonds Reserve Account and the Series 1993 A Bonds Sinking Fund have been made in full.

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

The Issuer shall not be required to make any further payments into the Series 1993 A Bonds Sinking Fund or into the Series 1993 A 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 1993 A 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 a deficiency in any Reserve Account, shall be made on a parity basis and pro rata, with respect to the Series 1988 A Bonds and the Series 1993 A Bonds in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1993 A 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.

Moneys in the Series 1993 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund permitted hereunder, the Series 1993 A Bonds Sinking Fund, including the Series 1993 A Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1993 A Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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

C. The Issuer shall 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 its required principal, interest, if any, and reserve payments with respect to the Series 1993 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 and the Prior Resolution. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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 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 the Depository Bank's charges and the Paying Agent 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.

F. 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.

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.

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.

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 1993 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1993 A Bonds, there shall first be deposited with the Commission in the Series 1993 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1993 A Bonds for the period commencing on the date of issuance of the Series 1993 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 1993 A Bonds, there shall be deposited with the Commission in the Series 1993 A Bonds Reserve Account, the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1993 A Bonds Reserve Account.

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

D. The remaining moneys derived from the sale of the Series 1993 A Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

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

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 1993 A 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.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1993 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1993 A Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay said Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 1993 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System, on a parity with the lien on said Net Revenues in favor of the Holders of the Series 1988 A Bonds and senior and prior to the lien on said Net Revenues in favor of the Holders of the Series 1988 B Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, 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, if any, 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 January 31, 1992 (Case No. 91-163-PSD-42A), and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Series 1988 A Bonds are outstanding, the Issuer shall not sell, lease, mortgage, pledge, or otherwise encumber, or in any manner dispose of, or otherwise alienate, the System, or any part thereof, except as provided in the Prior Resolution and with the written consent of the Authority and the DEP.

Additionally, so long as the Series 1993 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the DEP, 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 Series 1993 A Bonds, including the Prior Bonds, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1993 A Bonds, immediately be remitted to the Commission for deposit in the Series 1993 A Bonds 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 1993 A Bonds. Any balance remaining after the payment of all the Series 1993 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking 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, 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 1993 A Bonds. All obligations issued by the Issuer after the issuance of the Series 1993 A 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 1993 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Funds, 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 Series 1993 A Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1993 A 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. So long as the Series 1988 A 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 any or all of the revenues of the System, shall be issued after the issuance of the Series 1993 A 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 Resolution).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1993 A 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 1993 A 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, 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 and Section 7.07 of the Prior Resolution. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System and their source of and security for payment from said Net Revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

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

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

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

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 issued pursuant to this Bond Legislation shall have the right at

all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Consulting Engineers, the DEP and the Authority, or any other original purchaser of the Series 1993 A Bonds, and shall mail in each year to any Holder or Holders of the Series 1993 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 the Prior Bonds, the Bonds or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1993 A Bonds, and shall submit said report to the DEP and the Authority, or any other original purchaser of the Series 1993 A 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 operation and maintenance 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 hereunder and under the Prior Resolution. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1993 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1993 A Bonds, including the Prior Bonds; provided that, in the event that the Prior Bonds are no longer Outstanding, and an amount equal to the Series 1993 A Bonds Reserve Requirement is on deposit in the Series 1993 A Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with the Series 1993 A 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 1993 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1993 A 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. 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 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.

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 operation and maintenance 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 and the DEP 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 Board 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. If the water facilities are not owned by the Issuer, then 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. 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 Series 1993 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all

such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein or in the Prior Resolution. 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 as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of

the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that, the amounts and terms of such coverage are satisfactory to the Authority and the 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 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 1993 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1993 A Bonds during the term thereof is, under the terms of the Series 1993 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1993 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1993 A Bonds during the term thereof is, under the terms of the Series 1993 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1993 A 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 1993 A 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 1993 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1993 A 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 1993 A Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1993 A Bonds will be and remain 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 1993 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 1993 A Bonds and such statutory mortgage lien shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1988 A 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 State, federal 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 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 and this Bond Legislation, subject to the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account except as otherwise provided 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 Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often 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 Series 1993 A Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1993 A Bonds which would cause the Series 1993 A 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 1993 A Bonds) so that the interest on the Series 1993 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 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 1993 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1993 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

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

the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1993 A 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 thereto, 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 1993 A 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. Each of the following events shall constitute an "Event of Default" with respect to the Series 1993 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1993 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 1993 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1993 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; 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 pursuant to the events set forth in the Prior Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest, if any, 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 however, that all rights and remedies of the Holders of the

Series 1993 A Bonds shall be on a parity with those of the Holders of the Series 1988 A Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

Such receiver, in the performance of the powers 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 Series 1988 A Bonds and 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 Holder of the Series 1993 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 with respect to the Series 1993 A Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1993 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1993 A Bonds from gross income for federal income tax purposes.

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

interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

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 rights of Registered Owners of the Series 1993 A Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Series 1993 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 1993 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 1993 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 1993 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolution. All orders or resolutions, or parts thereof, in conflict

with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

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

Section 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 5th day of November, 1993.

Stanley E. Zornkro
Chairman, Public Service Board

Carole G. Hall
Member, Public Service Board

Member, Public Service Board

CERTIFICATION

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

Dated: November 10, 1993.

[SEAL]

Secretary, Public Service Board

10/26/93
JSRFJ.A3
45026/90001

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 1993 A
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY, INTEREST RATE, PRINCIPAL PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING 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 Jefferson County Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective November 5, 1993 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE COMPLETION OF ACQUISITION AND CONSTRUCTION OF PUBLIC SEWERAGE FACILITIES OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $971,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1993 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 AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), of the Issuer (the "Bonds" or the "Series 1993 A Bonds"), in an aggregate principal amount not to exceed $971,000, and has authorized and

ratified the execution and delivery of a loan agreement relating to the Bonds dated September 24, 1993 (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 Resolution it is provided that the form of the Loan Agreement and the exact principal amount, maturity date, interest rate, if any, 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, capitalized terms used herein and not otherwise defined herein shall have the same meanings herein as set forth in the Bond Resolution;

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 sale price, the maturity date, the redemption provisions, the interest rate, if any, 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 JEFFERSON COUNTY 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 1993 A (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $971,000. The Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2013 and shall bear interest at the rate of 0% per annum. The principal of the Bonds shall be payable

quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 1994. 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 on the dates and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and in "Exhibit B" attached to the Bonds 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 form provided in the Bond 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 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.

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 F & M Bank-Blakeley, Ranson, West Virginia, as Depository Bank under the Bond Resolution.

Section 7. Series 1993 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1993 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1993 A Bonds proceeds in the amount of $48,552 shall be deposited in the Series 1993 A Bonds Reserve Account.

Section 9. Series 1993 A Bonds proceeds in the amount of $394,954.67 shall be paid to Old National Bank, Martinsburg, West Virginia, to pay in full the principal of and interest on the Sewerage System Grant Anticipation Refunding Notes, Series 1991 (Jefferson County Public Service District Project), issued by The County Commission of Jefferson County to said Bank for the purpose of temporarily financing a portion of the costs of acquisition and construction of the Project.

Section 10. Series 1993 A Bonds proceeds in the amount of $188,192.70 shall be paid to F & M Bank-Blakeley, Ranson, West Virginia, to pay in full the principal of and interest on a note of the Issuer issued to said Bank for the purpose of temporarily financing a portion of the costs of acquisition and construction of the Project.

Section 11. The remaining proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund for payment of the costs of completion of acquisition and construction of the Project, including, without limitation, costs of issuance of the Bonds.

Section 12. The Issuer has a dispute with its former consulting engineer, Howard, Needles, Tammen and Bergendoff, over the engineering fees. When this dispute is resolved and if the proceeds of the Bonds currently allocated to pay engineering fees are not paid to said engineer, such proceeds shall only be applied to payment of capital expenditures of the System and shall not be used for operation and maintenance expenses.

Section 13. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about November 10, 1993.

Section 14. The completion of 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 15. 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 (or continued in) the Bond Resolution held by the Depository Bank 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 Series 1993 A Bonds Sinking Fund shall be invested by the Municipal Bond Commission in the West Virginia restricted consolidated fund.

Section 16. The Issuer shall not permit at any time or times any of the proceeds of the 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 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 5th day of November, 1993.

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT

Stanley E. Zombro

Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of JEFFERSON COUNTY PUBLIC SERVICE DISTRICT on the 5th day of November, 1993.

Dated: November 10, 1993.

[SEAL]

Secretary, Public Service Board

11/04/93
JSRFJ.D5
45026/90001

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS, SERIES 1998 A

BOND RESOLUTION

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JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA)

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1988 A, OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,500,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, Jefferson County Public Service District (the "Issuer") presently owns and operates a public sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, extensions and improvements thereto by issuance of several series of bonds, of which there are presently outstanding (i) the Sewer Revenue Bonds, Series 1988 A, dated May 5, 1988, issued in the original aggregate principal amount of $1,703,069, of which $1,642,297 is presently outstanding (the "Series 1988 A Bonds"); (ii) Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of $425,767 (the "Series 1988 B Bonds"); and (iii) Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of $971,000 (the "Series 1993 A Bonds").

WHEREAS, the Series 1988 A Bonds were issued pursuant to a resolution of the Issuer duly adopted on May 2, 1988, as supplemented by a resolution of the Issuer duly adopted on May 2, 1988 (collectively, the "1988 Resolution");

WHEREAS, under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to issue refunding revenue bonds for the purpose of retiring or refinancing all or any part of the outstanding Series 1988 A Bonds;

WHEREAS, the Issuer is advised that present value debt service savings will be realized as a result of the refunding of the Series 1988 A Bonds;

WHEREAS, the Issuer has determined and hereby determines that it would therefore be to the benefit of the Issuer and its residents to refund the Series 1988 A Bonds and to redeem the Series 1988 A Bonds on the Redemption Date (hereinafter defined), in the manner set forth herein with proceeds of a series of bonds to be designated "Sewer Refunding Revenue Bonds, Series 1998 A" (the "Series 1998 A Bonds"), in the maximum aggregate principal amount of not more than $2,500,000, and other moneys of the Issuer;

WHEREAS, the Issuer now desires to authorize the refunding of the Series 1988 A Bonds as aforesaid, and to provide for the financing thereof by the issuance of the Series 1998 A Bonds as hereinafter provided;

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

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

"Act" means Chapter 16, Article 13A of the West Virginia Code of 1931, as amended and in effect on the date of delivery of the Series 1998 A Bonds.

"Authority" means the West Virginia Water Development Authority, the original purchaser of the Series 1988 A Bonds, the Series 1988 B Bonds and the Series 1993 A Bonds, or its successor.

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

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

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

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

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

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on any of the Series 1998 A Bonds, and in the event the Series 1998 A Bonds are insured, shall initially mean the Bond Insurer set forth in the Supplemental Resolution.

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

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

"Bonds" means, collectively, the Series 1998 A Bonds, Series 1988 B Bonds, Series 1993 A Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

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

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 1998 A Bonds, in substantially the form set forth in EXHIBIT A - BOND FORM hereto.

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

"Closing Date" means the date upon which there is an exchange of the Series 1998 A Bonds for the proceeds representing the original purchase price thereof.

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

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

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

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, the costs of refunding the Series 1988 A Bonds (which amount shall reflect the Independent Accountants' determination of the Redemption Price of the Series 1988 A Bonds), interest accruing or to accrue thereon, redemption premiums, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 1998 A Bonds and the refunding of the Series 1988 A Bonds.

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

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

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

"DTC-eligible" means, with respect to the Series 1998 A Bonds, meeting the qualifications prescribed by the Depository Trust Company, New York, New York.

"Escrow Agent" means the Escrow Agent under the Escrow Agreement, which shall be appointed pursuant to the Supplemental Resolution.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Escrow Agent, providing for the defeasance and ultimate payment of the Series 1988 A Bonds, the deposit therein of proceeds of the Series 1998 A Bonds, the disposition of moneys in the various funds and accounts of the Series 1988 A Bonds under the 1988 Resolution and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

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

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

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

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

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

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not

include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined), or any Tap Fees, as hereinafter defined.

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

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

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by a Bond Insurer simultaneously with the delivery of the Series 1998 A Bonds, insuring the payment of the principal of and interest on all or any of the Series 1998 A Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 1998 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 1998 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any investment property which is acquired with the gross proceeds of the Series 1998 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 A Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of,

or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Original Purchaser" means Ferris, Baker Watts, Incorporated, Charleston, West Virginia, as the purchasers of the Series 1998 A Bonds directly from the Issuer, or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 1998 A Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 1998 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto; provided, that the Original Purchaser and the Issuer shall agree to the purchase of the Series 1998 A Bonds, as hereinafter defined, including the exact principal amount thereof and interest rate or rates thereon as fixed by said supplemental resolution to be adopted by the Issuer at the time of approval of such sale of said Series 1998 A Bonds.

"Outstanding," when used with reference to the Series 1998 A Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Resolution and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as a Bond Insurer has been reimbursed in full.

"Paying Agent" means the Registrar or other entity designated as such for the Series 1998 A Bonds in the Supplemental Resolution, and any successor thereto appointed in accordance with Section 8.12 hereof.

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

"Purchase Price," for the purpose of computation of the Yield of the Series 1998 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 1998 A Bonds

to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 1998 A Bonds of each maturity is sold or, if the Series 1998 A Bonds are privately placed, the price paid by the first buyer of the Series 1998 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 1998 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 1998 A Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

"Record Date" means the day of the month which shall be so stated in the Series 1998 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of the Series 1988 A Bonds or any other Bonds of the Issuer called for redemption.

"Redemption Price" means the price at which the Series 1988 A Bonds or any other Bonds of the Issuer may be called for redemption and includes the principal of and interest on such Bonds to be redeemed, plus the interest and premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 1998 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

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

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the 1988 Resolution and continued hereby.

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

"1988 Resolution" means the resolution and the supplemental resolution of the Issuer duly adopted May 2, 1988, authorizing the Series 1988 A Bonds and the Series 1988 B Bonds.

"1993 Resolution" means the resolution and the supplemental resolution of the Issuer duly adopted November 5, 1993, authorizing the Series 1993 A Bonds.

"Revenue Fund" means the Revenue Fund created by the 1988 Resolution and continued hereby.

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

" Series 1988 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1988 A, dated May 5, 1988, issued in the original aggregate principal amount of $1,703,069.

"Series 1988 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1988 B, dated May 5, 1988, issued in the original aggregate principal amount of $425,767.

"Series 1993 A Bonds" means the Issuer's Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program), dated November 10, 1993, issued in the original aggregate principal amount of $971,000.

"Series 1998 A Bonds" means the Sewer Refunding Revenue Bonds, Series 1998 A, of the Issuer, originally authorized to be issued pursuant to this Resolution.

"Series 1998 A Bonds Redemption Account" means the Series 1998 A Bonds Redemption Account created by Section 4.02 hereof.

"Series 1998 A Bonds Reserve Account" means the Series 1998 A Bonds Reserve Account created by Section 4.02 hereof.

"Series 1998 A Bonds Reserve Requirement" means, as of any date of calculation, the lesser of (i) 10% of the original stated principal amount of the Series 1998 A Bonds; (ii) the maximum amount of principal and interest which will become due on the Series 1998 A Bonds in any year; or (iii) 125% of the average amount of principal and interest which will become due on the Series 1998 A Bonds.

"Series 1998 A Bonds Sinking Fund" means the Series 1998 A Bonds Sinking Fund created by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution to be adopted by the Issuer following adoption of this Resolution, setting forth the final amounts, maturities, interest rates and other terms of the Series 1998 A Bonds and authorizing the sale of the Series 1998 A Bonds to the Original Purchaser and setting forth provisions specific to the Bond Insurer, if any; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and any 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 any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

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

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

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

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

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

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

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

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

B. The Issuer now owns and operates the System, the acquisition and construction of which has been financed in part by the proceeds of the Series 1988 A Bonds, the Series 1988 B Bonds and the Series 1993 A Bonds.

C. The Issuer derives revenues from the System which are pledged for payment of the Series 1988 A Bonds, the Series 1988 B Bonds and the Series 1993 A Bonds. Except for such pledge thereof, said revenues are not pledged or encumbered in any manner.

D. The Issuer intends to refund the Series 1988 A Bonds in their entirety with proceeds of the Series 1998 A Bonds and other funds of the Issuer, to issue the Series 1998 A Bonds and to pledge the Net Revenues of the System for payment thereof on a parity with the Series 1988 B Bonds and the Series 1993 A Bonds. Upon issuance and delivery of the Series 1998 A Bonds and the defeasance of the Series 1988 A Bonds, the lien position of the Series 1988 B Bonds shall become on a parity with the Series 1998 A Bonds and the Series 1993 A Bonds.

E. The Series 1998 A Bonds shall be issued on a parity with the Series 1988 B Bonds and the Series 1993 A Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds set forth in the Series 1988 B Bonds and the Series 1993 A Bonds and the resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. Prior to the issuance of the Series 1998 A Bonds, the Issuer will obtain the written

consent of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds to the issuance of the Series 1998 A Bonds on a parity with the Series 1988 B Bonds and the Series 1993 A Bonds. Prior to the issuance of the Series 1998 A Bonds, the Issuer will obtain the written consent of the Holders of Series 1988 B Bonds and the Series 1993 A Bonds to the change of the lien position of the Series 1988 B Bonds. Other than the Series 1988 B Bonds and the Series 1993 A Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

F. The estimated revenues to be derived in each year from the operation of the System after the refunding and defeasance of the Series 1988 A Bonds will be sufficient to pay all Operating Expenses of the System and the principal of and interest on the Series 1988 B Bonds, the Series 1993 A Bonds and the Series 1998 A Bonds and to make all other payments provided for in this Resolution.

G. Based upon the assumed principal amount, maturity schedule and interest rates for the Series 1998 A Bonds presented to the Issuer by the Original Purchaser, and after making allowance for the use of cash on hand of the Issuer, the Series 1998 A Bonds show a net present value debt service savings to the Issuer after deducting all expenses of the refunding and the costs of issuing the Series 1998 A Bonds.

H. The Issuer shall not sell the Series 1998 A Bonds without setting forth in the Supplemental Resolution the determination set forth in paragraph G above, based upon the actual principal amount, maturity schedule and interest rates for the Series 1998 A Bonds, and the Issuer shall not issue the Series 1998 A Bonds without having obtained from an independent certified public accountant or firm of independent certified public accountants, a certification that the amount of savings stated to be achieved by the refunding shall in fact be saved, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 1998 A Bonds and the net interest cost in dollars of the Series 1988 A Bonds.

I. Subject to the determination and certification required by paragraph H above, it is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 1998 A Bonds and secure the Series 1998 A Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account, unexpended proceeds of the Series 1998 A Bonds and as further set forth herein.

J. The Series 1998 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 1998 A Bonds, when authenticated by the Registrar and issued as in this Resolution provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 1998 A Bonds, will be timely done and duly performed.

L. The adoption of this Resolution, and the execution and issuance of the Series 1998 A Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Series 1998 A Bonds by those who shall own or hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of such Bondholders of any and all of such Series 1998 A Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING

Section 2.01. Authorization of Refunding. All Series 1988 A Bonds Outstanding as of the date of issuance of the Series 1998 A Bonds are hereby ordered to be refunded pursuant to the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of the Series 1988 A Bonds imposed by the 1988 Resolution, the moneys in the funds and accounts created by the 1988 Resolution pledged to payment of the Series 1988 A Bonds, and any other funds pledged by the 1988 Resolution to payment of the Series 1988 A Bonds are hereby ordered terminated, discharged and released upon the payment into the Escrow Fund from the proceeds of the Series 1998 A Bonds and from other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Series 1988 A Bonds; and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of and interest on the Series 1988 A Bonds as the same become due, plus the premium, if any, to the first permitted Redemption Date thereof, and on the Redemption Date to pay the Redemption Price of the Series 1988 A Bonds, all as set forth in the Escrow Agreement. Contemporaneously with the deposit of the proceeds of the Series 1998 A Bonds and other moneys into the Escrow Fund, the amounts on deposit in the sinking fund, including the reserve account therein, created and maintained on behalf of the Series 1988 A Bonds shall be released from the lien created by the 1988 Resolution and deposited in the Escrow Fund, the Series 1998 A Bonds Reserve Account or such other fund or account as shall be set forth in the Escrow Agreement or in the Supplemental Resolution and invested as provided therein.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Resolution except as provided in this Article III. Any Bonds issued pursuant to this Resolution after the issuance of the Series 1998 A Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

The principal of and the premium, if any, on the Series 1998 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $500,000 or more of the Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

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

Section 3.02. Execution of Bonds. The Series 1998 A Bonds shall be executed in the name of the Issuer by the Chairman, by his or her manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of

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

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference with respect to the Series 1998 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 1998 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said 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, 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 Series 1998 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Bonds. Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

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

In all cases in which the privilege of transferring or exchanging a Series 1998 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this

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

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1998 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

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

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 1998 A Bonds Redemption Account in accordance with Subsection 4.03A(2) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to 1/12th of the amount

required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

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

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

D. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the moneys in the Series 1998 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

E. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 1998 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 1998 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 1998 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Bond Insurer, the Original Purchaser and the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 1998 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices relating to optional redemption of the Series 1998 A Bonds shall also be sent to registered securities depositories and to *Standard & Poor's Called Bond Record*.

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

(1) The Redemption Date,

(2) The Redemption Price,

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

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

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

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

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

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

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

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

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

Section 3.10. Authorization of Bonds. For the purposes of paying a portion of the costs of refunding all of the Series 1988 A Bonds of the Issuer, funding the Series 1998 A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 1998 A Bonds of the Issuer, in an aggregate principal amount of not more than $2,500,000. The Series 1998 A Bonds shall be designated "Sewer Refunding Revenue Bonds, Series 1998 A" and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any year of maturity, not

exceeding the aggregate principal amount of Series 1998 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 1998 A Bonds shall be numbered from AR-1 consecutively upward. The Series 1998 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Bonds. A. The Series 1998 A Bonds shall initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 1998 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 1998 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 1998 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 1998 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 1998 A Bond or any other evidence of ownership of the Series 1998 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 1998 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 1998 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Resolution, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 1998 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 1998 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Resolution. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 1998 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 1998 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 1998 A Bonds so redeemed, but DTC may return such Series 1998 A Bonds and make an appropriate notation on the Series 1998 A Bond certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be

conclusive as to the amount of the Series 1998 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 1998 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 1998 A Bonds, selecting the Series 1998 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Resolution, registering the transfer of Series 1998 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 1998 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 1998 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 1998 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Resolution, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 1998 A Bonds or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 1998 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 1998 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 1998 A Bonds. In either of such events (unless in the case described in clause (ii) above, the Issuer appoints a successor securities depository), the Series 1998 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 1998 A Bonds.

Section 3.12. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 1998 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(A) A list of the names in which the Series 1998 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(B) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1998 A Bonds to the Original Purchaser;

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

(D) The unqualified approving opinion upon the Series 1998 A Bonds by Bond Counsel; and

(E) A copy of the Escrow Agreement and such other documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 1998 A Bonds shall be in substantially the form set forth in EXHIBIT A - BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 1998 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 1998 A Bonds shall have the form of the opinion of Steptoe & Johnson, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Bonds. Upon the issuance and delivery of the Series 1998 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

A. All interest accrued on the Series 1998 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 1998 A Bonds Sinking Fund and applied to payment of interest on the Series 1998 A Bonds at the first interest payment date.

B. An amount of the proceeds of the Series 1998 A Bonds which, together with other moneys or securities deposited therein and the earnings thereon, shall be sufficient to accomplish the refunding and defeasance of the Series 1988 A Bonds (which amount shall be set forth in the Escrow Agreement) shall be deposited in the Escrow Fund.

C. An amount of the proceeds of the Series 1998 A Bonds equal to the Series 1998 A Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 1998 A Bonds Reserve Account; provided that, to the extent the Series 1998 A Bonds Reserve Requirement is satisfied in whole or in part from proceeds of any fund or account established for the Series 1988 A Bonds pursuant to the 1988 Resolution,

proceeds of the Series 1998 A Bonds shall be deposited in the Series 1998 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 1998 A Bonds Reserve Requirement.

D. An amount of the proceeds of the Series 1998 A Bonds which shall be sufficient to pay all costs of issuance shall be deposited with the Depository Bank in the Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 1998 A Bonds and miscellaneous costs of refunding the Series 1988 A Bonds at the written direction of the Issuer. All such costs of issuance shall be paid within 60 days of the Closing Date. Moneys not to be applied immediately to pay such costs of issuance and refunding may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 6 months after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 1998 A Bonds Redemption Account. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 A Bonds.

E. The balance of any proceeds of the Series 1998 A Bonds and any moneys in any fund or account established for the Series 1988 A Bonds pursuant to the 1988 Resolution, not used for any of the purposes set forth above, shall be deposited in the Construction Fund and shall be drawn out, used and applied by the Issuer solely to pay the costs of acquisition and construction of certain improvements and extensions to the System (the "Project"). All such costs of the Project shall be paid within 6 months of the Closing Date. Moneys not to be applied immediately to pay such costs of the Project may be invested in accordance with this Resolution, subject however, to applicable yield restrictions as may be in effect under the Code. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such moneys until so applied in favor of the Holders of the Series 1998 A Bonds.

Section 3.15. Designation of Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 1998 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 1998 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Series 1998 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 1998.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds or accounts are hereby created with (or continued if previously established), and shall be held by, the Depository Bank, segregated and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the 1988 Resolution);

(2) Renewal and Replacement Fund (established by the 1988 Resolution);

(3) Construction Fund;

(4) Costs of Issuance Fund; and

(5) Rebate Fund.

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

(1) Series 1988 B Bonds Sinking Fund (established by the 1988 Resolution);

(2) Within the Series 1988 B Bonds Sinking Fund, the Series 1988 B Bonds Reserve Account (established by the 1988 Resolution);

(3) Series 1993 A Bonds Sinking Fund (established by the 1993 Resolution);

(4) Within the Series 1993 A Bonds Sinking Fund, the Series 1993 A Bonds Reserve Account (established by the 1993 Resolution);

(5) Series 1998 A Bonds Sinking Fund;

(6) Within the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account; and

(7) Within the Series 1998 A Bonds Sinking Fund; the Series 1998 A Bonds Redemption Account.

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

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1988 B Bonds Sinking Fund, the amounts required by the 1988 Resolution to pay the interest, if any, on and the principal of the Series 1988 B Bonds; (ii) for deposit in the Series 1993 A Bonds Sinking Fund, the amounts required by the 1993 Resolution to pay the interest, if any, on and the principal of the Series 1993 A Bonds; (iii) commencing 6 months prior to the first interest payment date on the Series 1998 A Bonds, for deposit in the Series 1998 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1998 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 1998 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; and provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 1998 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 1998 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 1998 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 1998 A Bonds Sinking Fund; and (iv) commencing 12 months prior to the first principal payment date or

mandatory Redemption Date of the Series 1998 A Bonds, for deposit in the Series 1998 A Bonds Sinking Fund, and in the Series 1998 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 1998 A Bonds on the next ensuing principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 1998 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Series 1988 B Bonds Reserve Account the amount required by the 1988 Resolution; (ii) for deposit in the Series 1993 A Bonds Reserve Account the amount required by the 1993 Resolution; and (iii) for deposit in the Series 1998 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 1998 A Bonds Reserve Account below the Series 1998 A Bonds Reserve Requirement or any withdrawal from the Series 1998 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 1998 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 1998 A Bonds Reserve Account is less than the Series 1998 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 1998 A Bonds Reserve Account for deposit into the Series 1998 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 1998 A Bonds Reserve Account to an amount equal to the Series 1998 A Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 1998 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 1998 A Bonds Reserve Requirement.

(4) The Issuer shall next, from the moneys remaining in the Revenue Fund (as previously set forth in the 1988 Resolution and not in addition thereto), on the first day of each month, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. 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 Qualified Investments. 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) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1998 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 A Bonds as the same shall become due, whether by maturity or redemption prior to maturity. Amounts in the Series 1998 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 1998 A Bonds when due, when amounts in the Series 1998 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

The Issuer shall not be required to make any further payments into the Series 1998 A Bonds Sinking Fund or the Series 1998 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of Series 1998 A Bonds issued pursuant to this Resolution then Outstanding, plus the amount of interest due or thereafter to become due on the Series 1998 A Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 1998 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at or before maturity and to accumulate a balance in the respective reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of such additional parity Bonds.

The payments into the Series 1998 A Bonds Sinking Fund shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

The Issuer shall restore any withdrawals from the Series 1998 A Bonds Reserve Account which have the effect of reducing the assets therein below the Series 1998 A Bonds Reserve Requirement from the first Net Revenues available after all required payments have been made in full in the order set forth above.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 1988 B Bonds, the Series 1993 A Bonds and the Series 1998 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Bond Commission from the Revenue Fund by the Issuer at the times provided herein.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

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

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

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

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

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

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

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

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

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

(A) Qualified Investments acquired for the Series 1998 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to semiannually transfer from the Series 1998 A Bonds Reserve Account to the Series 1998 A Bonds Sinking Fund, any earnings on the moneys deposited therein and any other funds in excess of the requirement therefor; provided, however, that there shall at all times remain on deposit in the Series 1998 A Bonds Reserve Account an amount at least equal to the Series 1998 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the

Series 1998 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 1998 A Bonds Reserve Account shall, at any time, be less than the applicable requirement therefor, the Bond Insurer, if any, shall be notified immediately of such deficiency, such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 4.03 hereof.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 1998 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 1998 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1998 A Bonds in such manner and to such extent as may be necessary, so that the Series 1998 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1998 A Bonds) so that the interest on the Series 1998 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1998 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1998 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the

sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect, with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1998 A Bonds from gross income for federal income tax purposes.

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

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1998 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holders of the Series 1998 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1998 A Bonds, or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account therein, and the unexpended proceeds of the Series 1998 A Bonds, all as herein provided. No Holder or Holders of the Series 1998 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Parity Pledge of Net Revenues and Moneys in Sinking Fund. The payment of the debt service of all of the Series 1998 A Bonds issued hereunder shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the interest on and principal of the Series 1998 A Bonds herein authorized, and to make the payments into the Series 1998 A Bonds Sinking Fund, including the Series 1998 A Bonds Reserve Account therein, and all other payments provided for in this Resolution, are hereby irrevocably pledged in the manner provided in this Resolution to the payment of the interest on and principal of the Series 1998 A Bonds herein authorized as the same become due and for the other purposes provided in this Resolution.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted

whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 1998 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1998 A Bonds, including the Series 1988 B Bonds and the Series 1993 A Bonds.

Section 6.05. Operation and Maintenance. The Issuer will operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

Section 6.06. Sale of the System. So long as the Series 1988 B Bonds and the Series 1993 A 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 resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds. Additionally, so long as the Series 1998 A Bonds are outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Article IX hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1998 A Bonds, immediately be remitted to the Bond Commission for deposit in the Series 1998 A Bonds Sinking Fund, and the Issuer shall direct the Bond Commission to apply such proceeds to the payment of principal of and interest on the Series 1998 A Bonds. Any balance remaining after the payment of the Series 1998 A Bonds and interest thereon shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $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 Bond Commission for deposit in the Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $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 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1998 A Bonds. All obligations issued by the Issuer after the issuance of the Series 1998 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 1998 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 1998 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 1998 A Bonds and the interest thereon, if any, in this Resolution, or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds and Subordinate Debt. So long as the Series 1988 B Bonds and the Series 1993 A Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the resolutions authorizing the Series 1988 B Bonds

and the Series 1993 A Bonds 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 1998 A Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided (unless less restrictive than the provisions of the resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1998 A Bonds.

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

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

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from 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 period for appeal of which has expired prior to the date of issuance of such additional parity Bonds; provided however, that for purposes of this test, the Issuer may only take into account 75% of the estimated average increased annual Net Revenues based upon rate increases approved by the Public Service Commission of West Virginia and projected to be received in each of the three years immediately succeeding the issuance of the Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such

additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1998 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 1998 A Bonds.

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

Refunding Bonds which do not defease all of the insured Bonds may be issued without the consent of the Insurer, provided there is no increase in maximum annual debt service.

Variable rate indebtedness (indebtedness which does not bear a fixed rate of interest to maturity) and balloon indebtedness (indebtedness of which 25% or more of the principal amount comes or may come due in any one fiscal year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof) shall only be issued with the prior approval of the Bond Insurer.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of parity Additional Bonds or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an independent certified public accountant.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Any debt of the Issuer which is subordinate to the lien of the Bondholders on the revenues, shall provide that such debt may not be accelerated without the consent of the Bond Insurer. The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof, shall at all times be wholly subordinate and junior in right of payment to any and all indebtedness of the Issuer under this Resolution or the Bonds (herein called "Superior Indebtedness"), in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Issuer, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Issuer or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the indebtedness evidenced by the subordinated debt, provided, however, that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically securing such subordinated debt; and in any such event any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the subordinated debt, except for the Net Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the subordinated debt shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full;

(2) In the event that the subordinated debt is declared or become due and payable because of the occurrence of any event of default or otherwise that at the option of the Issuer, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the subordinated debt shall be entitled

to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the subordinated debt so become due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however, that, except for the Net Revenues, this sentence shall not apply to payments made on such subordinated indebtedness from the proceeds of collateral specifically securing such subordinated debt.

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

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged and destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer shall not self-insure without the consent of the Bond Insurer.

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

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

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

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

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

Section 6.10. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself or themselves of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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 and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the waterworks system, if so owned by the Issuer, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus reasonable interest penalty charges for the restoration of service, has been fully paid. If the waterworks system is 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 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

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

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

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date, prepare and adopt by resolution a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser, the Bond Insurer and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. 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 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 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 1998 A Bonds, and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds.

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1998 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 1998 A Bonds during the term thereof is, under the terms of the Series 1998 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1998 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1998 A Bonds during the term thereof is, under the terms of the Series 1998 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1998 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 1998 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 1998 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1998 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1998 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 1998 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.18 Municipal Bond Insurance Policy. The Issuer may apply for a Municipal Bond Insurance Policy for the Series 1998 A Bonds. In the event a Municipal Bond Insurance Policy is obtained, additional covenants and provisions of the Issuer may be required by the Bond Insurer as a condition to insuring the Series 1998 A Bonds. These additional covenants and provisions shall be set forth in a Supplemental Resolution, shall apply to the Series 1998 A Bonds, and shall be controlling in the event any other provisions of this Resolution may be in conflict therewith.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on the Series 1998 A Bonds;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Resolution or any Supplemental Resolution or in the Series 1998 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Bond Insurer;

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

(D) If default occurs with respect to the Series 1988 B Bonds and the Series 1993 A Bonds or the resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds.

The Issuer must cure any covenant default within 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds, or (ii) to comply with the Subordinate Debt provisions shall be an immediate event of default.

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

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

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

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

(C) Bring suit upon the Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

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

No remedy by the terms of this Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 1998 A Bonds shall be on a parity with those of the Holders of the Series 1988 B Bonds and the Series 1993 A Bonds.

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

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

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

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

Whenever all that is due upon the Bonds issued pursuant to this Resolution and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien

or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

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

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

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 1998 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Series 1998 A Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 1998 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 1998 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Resolution and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

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

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

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 1998 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 1998 A Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 1998 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Series 1998 A Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 1998 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 1998 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Series 1998 A Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Resolution.

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

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

Section 8.11. Adoption of Authentication. In case any of the Series 1998 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Series 1998 A Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

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

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

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

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

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

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF RESOLUTION

Section 9.01. Defeasance; Discharge of Pledge of Resolution. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1998 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then this Resolution and the pledges of the Net Revenues and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 1998 A Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 1998 A Bonds from gross income for federal income tax purposes.

The Series 1998 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 1998 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 1998 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 1998 A Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of the Series 1998 A Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 1998 A Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 1998 A Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by

the provisions in Section 1.01 hereof or such additional securities as shall be set forth in the Supplemental Resolution.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Resolution. Prior to issuance of the Series 1998 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of the Resolution, shall be controlling. Following issuance of the Series 1998 A Bonds, this Resolution and any Supplemental Resolution may be amended or modified without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. In the event any of the Series 1998 A Bonds are insured, no such amendment or modification which adversely affects the security for such Series 1998 A Bonds or the rights of any Bond Insurer for such Series 1998 A Bonds may be effected without the written consent of such Bond Insurer. No materially adverse amendment or modification to this Resolution, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 1998 A Bonds then Outstanding and affected thereby and such Bond Insurer, which must be filed with the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 1998 A Bond without the express written consent of the Holder of each Series 1998 A Bond so affected, nor reduce the percentage of Series 1998 A Bonds required for consent to any such modification or amendment.

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

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

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

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

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

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

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

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

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

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

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

ISSUER

Jefferson County Public Service District
210 West Third Avenue
Ranson, West Virginia 25438
Attention: Chairman

REGISTRAR AND PAYING AGENT

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

DEPOSITORY BANK

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

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance

BOND INSURER

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

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

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

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

Section 10.09. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 1998 A Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Resolution. All the covenants, stipulations, promises and agreements contained in this Resolution by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 1998 A Bonds and the Original Purchaser.

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

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

Section 10.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Resolution and the resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds, the resolutions authorizing the Series 1988 B Bonds and the Series 1993 A Bonds shall control, unless less restrictive, so long as the Series 1988 B Bonds and the Series 1993 A Bonds are Outstanding.

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

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

Adopted this 26th day of February, 1998.

Stanley E. Zombro
Chairman

Mark A. Stall
Member

Member

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the Public Service Board of Jefferson County Public Service District on the 26th day of February, 1998.

Dated this 12th day of March, 1998.

[SEAL]

Secretary

02/24/98
450260/97002

EXHIBIT A - BOND FORM

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

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)
SEWER REFUNDING REVENUE BOND,
SERIES 1998 A

INTEREST RATE	MATURITY DATE	BOND DATE	CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That JEFFERSON COUNTY PUBLIC SERVICE DISTRICT (WEST VIRGINIA), a public service district and public corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date

specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 199___ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter described Resolution.

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

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated "Jefferson County Public Service District (West Virginia) Sewer Refunding Revenue Bonds, Series 1998 A" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____ 1, 199___, the proceeds of which are to be used, together with other funds of the Issuer, (i) to advance refund all of the Sewer Revenue Bonds, Series 1988 A, dated May 5, 1988, of the Issuer outstanding in the total aggregate principal amount of $_____ (the "Series 1988 A Bonds"), which were issued to finance the cost of acquisition and construction of the public sewerage system of the Issuer (the "System"); (ii) to fund a reserve account for the Bonds; (iii) to pay certain costs of issuance of the Bonds and related costs; and (iv) to pay the costs of acquisition and construction of certain additions, betterments and improvements to the System. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a resolution duly adopted by the Issuer on _____, 199___, and supplemented by a supplemental resolution duly adopted by the Issuer on _____, 199___ (hereinafter collectively referred to as the "Resolution"), and is

subject to all the terms and conditions of the Resolution. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution. Reference is hereby made to the Resolution, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Resolution are on file at the office of the Issuer.

The Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by _____.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(i) SEWER REVENUE BONDS, SERIES 1988 B, DATED MAY 5, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $425,767 (THE "SERIES 1988 B BONDS"); AND

(ii) SEWER REVENUE BONDS, SERIES 1993 A (WEST VIRGINIA SRF PROGRAM), DATED NOVEMBER 10, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $971,000 (THE "SERIES 1993 A BONDS").

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

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

Period During Which Redeemed (Dates Inclusive)	Redemption Price

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

Bonds Maturing

Year ( )	Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year (____) Principal Amount

Bonds Maturing

Year ( )	Principal Amount

* Final Maturity

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

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

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

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Series 1988 B Bonds and the Series 1993 A Bonds, and from moneys in the reserve account created under the Resolution for the Bonds (the "Series 1998 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall

the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 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 the Bonds, including the Series 1988 B Bonds and the Series 1993 A Bonds.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to refund the Series 1988 A Bonds, fund a reserve account for the Bonds, pay costs of acquisition and construction of certain additions, betterments and improvements to the System and pay costs of issuance hereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

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

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

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

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

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

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

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

[SEAL]

(Manual or Facsimile Signature)
Chairman

ATTEST:

(Manual or Facsimile Signature)
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: _____, _____.

_____,
as Registrar

By_____
Its Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

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

STATEMENT OF INSURANCE

JEFFERSON COUNTY PUBLIC SERVICE DISTRICT
(WEST VIRGINIA)

SEWER REFUNDING REVENUE BONDS, SERIES 1998 A

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A COMMITMENT FOR MUNICIPAL BOND INSURANCE, A REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; IMPLEMENTING PROVISIONS REQUIRED AS A CONDITION TO OBTAINING A MUNICIPAL BOND INSURANCE POLICY INSURING THE BONDS FROM ASSET GUARANTY INSURANCE COMPANY; APPOINTING AN ESCROW AGENT, REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS AND THE REFUNDING.

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

WHEREAS, the Governing Body duly adopted on February 26, 1998, a resolution (the "Resolution") entitled:

A RESOLUTION AUTHORIZING THE REFUNDING OF THE SEWER REVENUE BONDS, SERIES 1988 A, OF JEFFERSON COUNTY PUBLIC SERVICE DISTRICT; THE ISSUANCE OF SEWER REFUNDING REVENUE BONDS, SERIES 1998 A, OF THE DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,500,000, THE PROCEEDS OF WHICH, TOGETHER WITH OTHER FUNDS OF THE DISTRICT, SHALL BE EXPENDED FOR SUCH REFUNDING AND TO PAY COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Resolution provided for the refunding of the Issuer's Sewer Revenue Bonds, Series 1988 A, dated May 5, 1988 (the "Series 1988 A Bonds"), and issuance of its Sewer Refunding Revenue Bonds, Series 1998 A (the "Series 1998 A Bonds"), in an aggregate principal amount not to exceed $2,500,000, for the purposes of paying a portion of the costs of such refunding, funding a reserve account for the Series 1998 A Bonds, and paying costs of issuance thereof, all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Resolution further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 1998 A Bonds should be established, that a Bond Insurer, an Escrow Agent, Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Commitment for Municipal Bond Insurance, a Registrar Agreement, an Escrow Agreement and an Official Statement be approved, that additional covenants and provisions relating to the Series 1998 A Bonds be provided herein as may be required by any Bond Insurer as a condition to insuring the Series 1998 A Bonds and that other matters pertaining to the Series 1998 A Bonds be provided for by a supplemental

resolution of the Governing Body upon receipt of a Bond Purchase Agreement acceptable to the Governing Body;

WHEREAS, the Series 1998 A Bonds are proposed to be purchased by Ferris, Baker Watts, Incorporated (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, dated the date of adoption hereof (the "Bond Purchase Agreement");

WHEREAS, the Issuer has obtained a Commitment for Municipal Bond Insurance for the Series 1998 A Bonds (the "Commitment for Municipal Bond Insurance") from Asset Guaranty Insurance Company (the "Bond Insurer" or "Insurer") and has determined that it is advantageous for the Issuer to obtain such Municipal Bond Insurance Policy and provide herein for certain matters required by the Bond Insurer as a condition to issuing such Municipal Bond Insurance Policy; and

WHEREAS, the Governing Body deems it essential and desirable that this Resolution be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Commitment for Municipal Bond Insurance, the Escrow Agreement and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Series 1998 A Bonds, hereinafter described, be approved, that the dates, amounts, maturities, interest rates, redemption provisions, purchase price and other details of the Series 1998 A Bonds be fixed hereby in the manner stated herein, that provisions required by the Bond Insurer as a condition to issuing its Municipal Bond Insurance Policy be provided herein and that other matters relating to the Series 1998 A Bonds be herein provided for, all in accordance with the Resolution;

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Series 1998 A Bonds. The Series 1998 A Bonds shall be dated February 1, 1998, upon original issuance, shall be issued in the aggregate principal amount, bear interest payable semiannually on April 1 and October 1 of each year, commencing October 1, 1998, shall mature on October 1 in such years, and shall have such redemption provisions and other terms are set forth in EXHIBIT A - SERIES 1998 A BOND TERMS, attached hereto and incorporated by reference herein. All other provisions relating to the Series 1998 A Bonds

shall be as provided in the Resolution, and the Series 1998 A Bonds shall be in substantially the form provided in the Resolution.

Section 2. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, dated the date of adoption of this Supplemental Resolution, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved, and directed. The Chairman shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Bond Purchase Agreement by the Chairman shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 1998 A Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Series 1998 A Bonds, pursuant to the Bond Purchase Agreement, shall be $2,360,626.80 (face amount of $2,430,000.00, less Underwriter's Discount of $38,400, less original issue discount of $30,973.20), plus interest accrued from the date of the Series 1998 A Bonds to the date of delivery of the Series 1998 A Bonds, expected to be on or about March 12, 1998.

Section 3. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Series 1998 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Continuing Disclosure Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 4. The Escrow Agreement by and between the Issuer and the West Virginia Municipal Bond Commission as Escrow Agent, to be dated as of the date of delivery of the Series 1998 A Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Chairman thereof shall be and the same are hereby authorized, approved and directed. The Chairman shall execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Escrow Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 5. The Official Statement dated the date of adoption of this Supplemental Resolution, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Chairman), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Chairman shall execute and

deliver the Official Statement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Official Statement by the Chairman shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated February 19, 1998 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Chairman is hereby ratified and approved.

Section 6. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Series 1998 A Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Chairman shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Chairman. The execution of the Registrar Agreement by the Chairman shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby determine that the Municipal Bond Insurance Policy offered by the Bond Insurer will result in an interest cost savings for the Issuer in excess of the premium to be paid by the Issuer for such Municipal Bond Insurance Policy, and accordingly accepts the Commitment for Municipal Bond Insurance, dated January 28, 1998. The Chairman is hereby authorized and directed to execute the approval of the Commitment for Municipal Bond Insurance and deliver the same to the Bond Insurer. The execution by the Chairman of the Commitment for Municipal Bond Insurance shall be conclusive evidence of any approval required by this Section.

Section 8. Pursuant to the Commitment for Municipal Bond Insurance, and as permitted by Section 6.18 of the Resolution, the following covenants and provisions which are required by the Bond Insurer as a condition precedent to issuance of its Municipal Bond Insurance Policy are hereby set forth, such covenants and provisions to be supplemental and amendatory of, and controlling with respect to the Resolution and applicable to the Series 1998 A Bonds:

Definitions

"Insurance Trustee" shall mean the United States Trust Company of New York.

"Insurer" or "Bond Insurer" shall mean Asset Guaranty Insurance Company, a corporation organized under the laws of the State of New York or any successor thereto.

"Permitted Investments", to the extent permitted by applicable law, shall mean:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (b) debentures of the Federal Housing Administration, (c) guaranteed mortgage backed bonds of the Government National Mortgage Association, (d) certificates of beneficial interest of the Farmers Home Administration, (e) obligations of the Federal Financing Bank or (f) project notes and local authority bonds of the Department of Housing and Urban Development.

(iii) Investments in (a) senior obligations of the Federal Home Loan Bank System, (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (c) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association or (d) senior debt obligations of the Student Loan Marketing Association.

(iv) Repurchase agreements with primary dealers and/or banks rated, at all times, AA and AA2 or better by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively, collateralized with the obligations described in (i) or (ii) above, held by a third party custodian, at the levels set forth below, which repurchase agreements have been approved by the Insurer.

(v) S.E.C. registered money market mutual funds conforming to Rule 2a-7 of the Investment Company Act of 1940 that invest primarily in direct obligations issued by the U.S. Treasury and repurchase agreements backed by those obligations, including funds for which the Trustee or an affiliate of the Trustee acts as an advisor, and rated in the highest category by Standard & Poor's Corporation and Moody's Investors Service, Inc.

(vi) Certificates of deposit of any bank (including the Trustee), trust company or savings and loan association whose short term obligations are rated, at all times, A-1 or better by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc. provided that such certificates of deposit are fully secured by the obligations described in (i) or (ii) above, at the levels set forth below, the Trustee has a perfected first security interest in the

obligations securing the certificates and the Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates.

(vii) Certificates of deposit of any bank (including the Trustee), trust company or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation.

(viii) Commercial paper rated, at all times, P-1 or better by Moody's Investors Service, Inc. and A-1+ by Standard & Poor's Corporation.

(ix) Obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof which obligations, at all times, are rated by Standard & Poor's Corporation and Moody's Investors Service, Inc. in the highest rating categories (without regard to any refinement or graduation of rating category by numerical modifier or otherwise) and without regard to credit enhancement assigned by such rating agencies to obligations of that nature.

Collateral Levels for United States Government Securities

	Remaining Maturity				
	1 Year or less	5 Years or less	10 Years or less	15 Years or less	30 Years or less
Frequency of Valuation					
Daily	102	105	106	107	113
Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly	106	118	128	130	135

Further Requirements: (1) On each valuation date the market value of the collateral will be an amount equal to the requisite collateral percentage of the obligation (including unpaid accrued interest) that is being secured. (2) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: One business day for daily valuations, two business days for weekly valuations, and one month for monthly and quarterly valuations. The use of different restoration periods affect the requisite collateral percentage. (3) The [Ordinance] must require the Trustee to terminate the repurchase agreement upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repo securities, liquidate the collateral.

"Policy" shall mean the financial guaranty insurance policy issued by Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Payment Procedure

The Trustee or Paying Agent must covenant and agree that it shall not make a claim for payment on the Policy until any and all funds held pursuant to the Resolution and this Supplemental Resolution have been fully drawn to pay Debt Service on the Series 1998 A Bonds.

As long as the Policy shall be in full force and effect, the Issuer, the Trustee and the Paying Agent agree to comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds, the Trustee or Paying Agent, if any, shall so notify the Insurance Trustee. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. The Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, and all records relating to the funds maintained under the Resolution and this Supplemental Resolution.

(c) The Trustee or the Paying Agent, if any, shall provide the Insurer and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from the Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance

Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from the Insurer.

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

(e) In the event that the Trustee and Paying Agent, if any, have notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a registered Owner by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered Owners and the dates on which such payments are made.

(f) In addition to those rights granted the Insurer under the Resolution and this Supplemental Resolution, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, upon receipt from the Insurer of proof of the payment of interest thereon to the registered Owners of the Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, upon surrender of the Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Redemption

Redemption of the Bonds shall be permitted at any time without the Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Trustee prior to rendering notice of redemption to the Bondholders, or in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer.

Investments and Valuation

All funds shall be invested only in Permitted Investments. No forward delivery agreements, hedge, purchase and resale agreements in par-put agreements may be used with respect to the investment of any fund or account with respect to the trust estate pledged to the Bonds without the prior written consent of the Insurer. Investments on deposit in all funds and accounts shall be valued at market value at least quarterly.

Debt Service Reserve Fund Investments. Amounts contained in the Series 1998 A Bonds Reserve Account shall be invested only in obligations set forth in paragraphs (i), (ii) and (v) of Permitted Investments, with maturities of not longer than one year. No Debt Service Reserve Fund credit facilities, insurance policies, forward delivery agreements, hedge or par-put agreements may be used without the prior written consent of the Insurer. Investments on deposit in all funds and accounts shall be valued at market value at least quarterly.

Defeasance

The insured Bonds may be defeased if the following conditions are complied with:

(i) only non-redeemable obligations set forth in (i) of Permitted Investments may be used to defease the Bonds;

(ii) a verification report by a verifier acceptable to the Insurer shall be in form and substance satisfactory to the Insurer;

(iii) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of the Bond Documents for defeasance of the Bonds have been complied with; and

(iv) if the Issuer is a conduit issuer of the Bonds, insured Bonds may be defeased only with securities as set forth in (i) above which constitute Available Monies. Available Monies shall mean any monies on deposit with a trustee for the benefit of bondholders which are (i) bond proceeds or refunding bond proceeds, (ii) amounts on deposit for a period of [124] consecutive days during which no petition in bankruptcy under the U. S. Bankruptcy Code has been filed by or against the entity; which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U. S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U. S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the entity from whom the money is received.

Reporting Requirements

The Issuer hereby covenants and agrees with the Insurer to provide notification to the Insurer in the event of any significant change in the financial condition of the Issuer.

The Issuer hereby covenants that while the Bonds are outstanding it will provide the Insurer timely information regarding the Issuer, including but not limited to:

(i) annual audited financial statements and evidence of compliance with the rate covenant reviewed by the auditor, within one hundred and twenty (120) days after the end of the Fiscal Year;

(ii) a copy of any audit, budget, or other material report of the Issuer or the Consulting Engineer within twenty (20) days of completion of such audit, budget or report and thereafter as updated;

(iii) a copy of any notice or report required to be given to the Trustee, the Insurance Trustee, the Paying Agent, the registered Owners of the Bonds or any other party to any of the Bond Documents executed in connection with the issuance of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to the Resolution or this Supplemental Resolution relating to the security for the Bonds;

(iv) a copy of the annual report, or any special reports prepared from time to time of the Consulting Engineer;

(v) a copy of any information filed by the Issuer with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR; and

(vi) such additional information as the Insurer may reasonably request.

The Issuer will permit Insurer and/or the Insurance Trustee to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer, their representatives and agents. The Issuer will permit the Insurer and/or the Insurance Trustee to have access to and make copies of all books and records relating to the Bonds, and the security therefor at any reasonable time.

Control

Anything in this Supplemental Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined above or as defined in Section 7.01 of the Resolution, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or any trustee appointed for the benefit of the Owners under this Supplemental Resolution.

Subrogation

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the registered Owners shall continue to exist and shall run to the benefit of Insurer and Insurer shall be subrogated to the rights of such registered Owners.

Default Rate

Amounts paid by the Insurer in respect of the principal and/or interest on the Bonds shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%) (the "Default Rate").

Trustee

Prior to an Event of Default, the Insurer shall have the right to remove the Trustee for cause, and after an Event of Default, the Insurer shall have the right to remove the Trustee for any reason.

Amendments

Any rating agency rating the Bonds must receive notice of each amendment to the Bond Documents and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

Consent Requirements

Unless otherwise provided herein, Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to the Resolution or this Supplemental Resolution or any other document executed in connection with the issuance of the Bonds; (ii) removal of the Trustee or Paying Agent; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires Bond Owner consent.

The rights granted to the Insurer under this Supplemental Resolution to request, consent to, or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the owners of the Bonds nor does such action evidence any position of the Insurer, positive or negative as to whether bond owner consent is required in addition to the consent of the Insurer.

Party in Interest

The Insurer shall be included as a party in interest (third party beneficiary) with respect to the Bond Documents and as a party entitled to (i) notify the Trustee of the occurrence of an event of default, and (ii) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefore.

Interpretation

Notwithstanding any other provision of this Supplemental Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Supplemental Resolution, the Trustee (or Paying Agent) shall consider the effect on the Bondholders without regard to the Policy.

The Trustee shall not be permitted to resolve ambiguities in the Bond Documents in any manner that shall be deemed to be conclusively binding on Bondholders without the consent of the Insurer. The Insurer shall receive notice of any proposed meetings of Bondholders held under the Bond Documents and shall be given the opportunity to attend and participate in the same.

Any legal opinions rendered to any party to the Bond Documents as to compliance with or interpretation of, the provisions thereof, shall also be provided to the Insurer.

Reimbursement

The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security hereunder, (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this Supplemental Resolution

whether or not executed or completed, (iv) the violation by the Issuer of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with this Supplemental Resolution or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Supplemental Resolution.

Payments required to be made to the Insurer shall be payable solely from legally available moneys of the Issuer, but in no event shall they be deemed or construed to be debt or multiple fiscal year obligations of any kind. The obligations of the Issuer to the Insurer shall survive discharge and termination of this Supplemental Resolution.

Indemnification

To the fullest extent permitted by the laws and Constitution of the State, the Issuer shall protect, hold harmless and indemnify the Insurer for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with the System, the Bond Documents and any related instrument (including all environmental liabilities regarding the System), (except that the Issuer shall not protect, hold harmless or indemnify the Insurer for the willful or wanton acts or omissions, mistakes, gross negligence of the Insurer, to the extent that such acts, omissions, mistakes, gross negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection herewith including reasonable attorneys' fees and expenses. The obligations of the Issuer to protect, hold harmless, reimburse and indemnify the Insurer as set forth under this Section shall survive any termination, release, satisfaction and discharge of this Supplemental Resolution.

Section 9. The firm of Steptoe & Johnson, Clarksburg, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 1998 A Bonds.

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Escrow Agent.

Section 11. The Issuer does hereby appoint and designate Bank One, West Virginia, NA, Charleston, West Virginia, for the purpose of serving in the capacity of Registrar.

Section 12. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 13. The Issuer does hereby appoint and designate F & M Bank - Blakeley, Ranson, West Virginia, for the purpose of serving in the capacity of Depository Bank.

Section 14. The firm of Smith, Cochran & Hicks, P.L.L.C., CPA, Charleston, West Virginia, is hereby engaged for the purpose of verifying yield and sufficiency of the Escrow Fund.

Section 15. The notice addresses for the Registrar, Paying Agent, Depository Bank, Escrow Agent, Original Purchaser and Bond Insurer shall be as follows:

REGISTRAR

Bank One, West Virginia, NA
Bank One Center
Charleston, West Virginia 25301
Attention: Corporate Trust Department

DEPOSITORY BANK

F & M Bank - Blakeley
Post Office Box 40
Ranson, West Virginia 25438

ESCROW AGENT AND PAYING AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Ferris, Baker Watts, Incorporated
170 Laidley Tower
Charleston, West Virginia 25301
Attention: Public Finance

BOND INSURER

Asset Guaranty Insurance Company
335 Madison Avenue
25th Floor
New York, New York 10017-4605
Attention: Insured Portfolio Management

Section 16. Based upon the actual principal amount, maturity schedule and interest rates for the Series 1998 A Bonds, as set forth in EXHIBIT A - SERIES 1998 A BOND TERMS, attached hereto, it is hereby determined that the Series 1998 A Bonds show a net savings to the Issuer after deducting all expenses of the refunding. Prior to delivery of the Series 1998 A Bonds, the Issuer shall have obtained from Smith, Cochran & Hicks, P.L.L.C., CPA, Charleston, West Virginia, or such other independent certified public accountant acceptable to the Chairman, a certification that the amount of savings stated to be achieved by the refunding shall in fact be correct, based upon their review, comparison and analysis of the net interest cost in dollars of the Series 1998 A Bonds and the net interest cost in dollars of the Series 1988 A Bonds. The Chairman is hereby authorized and directed to employ Smith, Cochran & Hicks, P.L.L.C., CPA, Charleston, West Virginia, or such other independent certified public accountant satisfactory to Bond Counsel, to supply the certification required herein and to take other actions required in connection with the refunding.

Section 17. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 1998 A Bond issue to the end that the Series 1998 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 18. The Chairman and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Series 1998 A Bonds to be insured by the Bond Insurer or such other municipal bond insurance company as is acceptable to the Original Purchaser.

Section 19. This Resolution shall be effective immediately.

Adopted this 26th day of February, 1998.

Stanley E. Zombers
Chairman

Carole L. Hall
Member

Member

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Public Service Board of JEFFERSON COUNTY PUBLIC SERVICE DISTRICT on the 26th day of February, 1998.

Dated this 12th day of March, 1998.

[SEAL]

Secretary

03/04/98
450260/97002

EXHIBIT A - SERIES 1998 A BOND TERMS

TERM BONDS

Bond No.	CUSIP	Maturity Date	Principal Amount	Interest Rate	Price or Yield
AR-1	473671 AA3	October 1, 2003	$225,000	4.15%	4.15%
AR-2	473671 AB1	October 1, 2008	260,000	4.50	4.50
AR-3	473671 AC9	October 1, 2013	320,000	5.00	5.00
AR-4	473671 AD7	October 1, 2018	415,000	5.125	5.20
AR-5	473671 AE5	October 1, 2028	1,210,000	5.25	5.40

OPTIONAL REDEMPTION

The Series 1998 A Bonds are not subject to optional redemption prior to October 1, 2007. At the option of the Issuer, the Series 1998 A Bonds will be subject to redemption prior to maturity on or after October 1, 2007, as a whole at any time and in part on any interest payment date, in inverse order of maturity and by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
October 1, 2007 to September 30, 2008	102%
October 1, 2008 to September 30, 2009	101
October 1, 2009 and thereafter	100

MANDATORY SINKING FUND REDEMPTION

The Series 1998 A Bonds maturing on October 1, 2003, 2008, 2013, 2018 and 2028 (the "Term Bonds"), are subject to mandatory sinking fund redemption prior to maturing on October 1 of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption, plus interest accrued to the date fixed for redemption:

Series 1998 A Bonds Maturing October 1, 2003

Year	Principal Amount
1998	$10,000
1999	40,000
2000	40,000
2001	45,000
2002	45,000
2003	45,000*

* By maturity

Series 1998 A Bonds Maturing October 1, 2008

Year	Principal Amount
2004	$50,000
2005	50,000
2006	50,000
2007	55,000
2008	55,000*

* By maturity

Series 1998 A Bonds Maturing October 1, 2013

Year	Principal Amount
2009	$60,000
2010	60,000
2011	65,000
2012	65,000
2013	70,000*

* By maturity

Series 1998 A Bonds Maturing October 1, 2018

Year	Principal Amount
2014	$75,000
2015	75,000
2016	85,000
2017	90,000
2018	90,000*

* By maturity

Series 1998 A Bonds Maturing October 1, 2028

Year	Principal Amount
2019	$ 95,000
2020	100,000
2021	105,000
2022	110,000
2023	115,000
2024	120,000
2025	130,000
2026	140,000
2027	145,000
2028	150,000*

* By maturity

State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive
Charleston WV 25311-1571

Telephone (304) 558-3612
Telecopier (304) 558-0299

June 25, 1998

Jefferson County Public Service District
Sewer Revenue Bonds,
Series 1998 B (West Virginia SRF Program) and
Series 1998 C (West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Series 1988 B Bonds and Series 1993 A Bonds, hereinafter defined and described, hereby consents to the issuance of the Sewer Revenue Bonds, Series 1998 B (West Virginia SRF Program), in the original aggregate principal amount of not to exceed $599,089, and Sewer Revenue Bonds, Series 1998 C (West Virginia Infrastructure Fund), in the original aggregate principal amount of not to exceed $662,039 (collectively, the "Bonds"), by Jefferson County Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Sewer Revenue Bonds, Series 1988 B (the "Series 1988 B Bonds"), and Sewer Revenue Bonds, Series 1993 A (West Virginia SRF Program) (the "Series 1993 A Bonds").

Authorized Representative