$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

TRANSCRIPT LIST

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2. County Commission Order regarding Creation of District
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CHELYAN PUBLIC SERVICE DISTRICT

SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

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CHELYAN PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF CHELYAN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF A PORTION OF SUCH COSTS THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF ITS SEWER REVENUE BOND, SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BOND; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BOND; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ADOPTED BY THE PUBLIC SERVICE BOARD OF CHELYAN 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 "Resolution") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia 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. Chelyan Public Service District (the "Issuer") is a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia in Kanawha County.

B. The Issuer presently owns and operates a public sewer system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer and surrounding areas that there be acquired and constructed certain additions, betterments, improvements and extensions to the existing sewer system of the Issuer, consisting of approximately 27,700 LF of 8", 6,500 LF of 6", 5,100 LF of 4" gravity sewers, 10 grinder pump stations, 5 lift stations, 188 manholes, 45 cleanouts, 10,500 LF of 6" force main, 4,000 LF of 4" force main, 6,200 LF of 3" force main, 1,400 LF of 1 1/2" force main, 50 LF of 1 1/4" force main, 13 air relief valves, a telemetry system, an expansion of the existing wastewater treatment plant from 0.815 mgd to 1.63 mgd capacity, two 37,510 gallon aeration tanks, two 83,600 gallon contact stabilization tanks, two 47,000 gallon clarifies, an ultraviolet disinfection unit, a garage building, and all other necessary appurtenances to serve certain areas of Giles, Ohley, Eskdale and Leewood in Kanawha County(collectively, the "Project") which constitute properties for the

collection and/or transportation, purification and disposal of liquid or solid wastes, sewage or industrial wastes (the existing and proposed sewer facilities of the Issuer, the Project and any further additions thereto or extensions thereof are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications are on file with the Issuer.

C. The Issuer has outstanding its Sewerage System Revenue Bonds, Series 1994 A, dated April 22, 1994, issued in the original principal amount of $1,023,500, Sewerage System Revenue Bonds, Series 1994 B, dated April 22, 1994, issued in the original principal amount of $175,276, Sewerage System Revenue Bonds, Series 1995 A, dated June 29, 1995, issued in the original principal amount of $634,000, and Sewerage System Revenue Bonds, Series 1999 A (West Virginia SRF Extended Bond Purchase Program), dated July 15, 1999, issued in the original principal amount of $2,518,000 (collectively the "Prior Bonds"), which were issued by resolutions duly adopted by the Issuer on April 18, 1994, June 28, 1995, and July 8, 1999, respectively (collectively, the "Prior Resolutions").

Prior to the issuance of the Bond, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Bond on parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer that are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

Prior to or on the date of issuance of the Bond, the Issuer will pay in full the entire outstanding principal of its Sewer System Design Notes, Series 1998, dated July 10, 1998, issued in the original aggregate principal amount of $90,000, and its Sewerage System Revenue Bonds, Series 1979, dated September 13, 1979, issued in the original aggregate principal amount of $822,100, with proceeds of the Bond or other available funds of the Issuer.

D. In accordance with Section 3 of the Act, the System will be under the supervision and control of the Public Service Board of the Issuer (the "Board").

E. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of operation and maintenance of the System, the principal of and interest on the Bond and the Prior Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

F. It is deemed necessary for the Issuer to issue its Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund) (the "Bond" or the "Series 2002 Bond"), in the total aggregate principal amount of not more than $3,500,000 to finance a portion of the cost of the acquisition, construction and equipping of the Project. The cost of such acquisition, construction and equipping of the Project shall be deemed to include, but not limited to, the cost of acquiring, constructing and equipping the Project and all attendant expenses; amounts which may be deposited in the Series 2002 Bond Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to the enterprise, administrative expense, commitment fees, fees of the Authority

(hereinafter defined) or the Council, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bond and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bond for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

H. The Issuer has completed and filed with the West Virginia Water Development Authority (the "Authority") and the West Virginia Infrastructure and Jobs Development Council (the "Council") an Application for a Loan with attachments and exhibits and will file an Amended Application for a Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), and the Council has provided the Issuer with a binding commitment letter, indicating its willingness to purchase the Bond of the Issuer with moneys held in the Fund, hereinafter defined, subject to the Issuer's satisfaction of certain legal and other requirements of the Authority.

I. It is in the best interests of the Issuer that the Bond be sold to the Authority pursuant to the terms and provisions of the Loan Agreement entered into between the Issuer and the Authority, on behalf of the Council.

J. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and equipping of the Project and issuance of the Bond, including, among other things, the obtaining of a Certificate of Convenience and Necessity 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 Bond or such final order will not be subject to appeal. The Issuer has received the approval of the Council.

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

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bond, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Board" means the Public Service Board of the Issuer, as created and appointed by the Kanawha County Commission pursuant to the provisions of Chapter 16, Article 13A, Section 3 of the Code of West Virginia, 1931, as amended, and any successor thereto.

"Bond" means the Issuer's Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), authorized to be issued hereunder.

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

"Bond Registrar" or "Registrar" means the bank or other entity designated as such in Section 4.03 E. hereof, and its successors and assigns.

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

"Chairperson" means the Chairperson of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bond for the proceeds, or at least a de minimus portion thereof, from the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"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 S & S Engineers, 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, in accordance with Chapter 5G, Article 1 of the Code of West Virginia of 1931, as amended.

"Costs" or "Costs of the Project" means those costs described in Section 1.02 F hereof to be a part of the cost of acquisition, construction and equipping 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.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bond during the period of computation, excluding amounts scheduled during such period that relate to principal that has been retired before the beginning of such period.

"Depository Bank" means the bank designated as such in Section 4.03 E. hereof, and its successors and assigns.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC, which shall be a member of FDIC.

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

"Fund" means the West Virginia Infrastructure Fund created pursuant to Chapter 31, Article 15A, Section 9, of the Code of West Virginia, 1931, as amended.

"Governing Body" means the public service board of the Issuer or other legally constituted governing body of the Issuer, as may hereafter be constituted.

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

"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 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

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

"Loan Agreement" shall mean the Loan Agreement to be entered into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the

Bond from the Issuer by the Authority, the form of which may be approved, and the execution and delivery by the Issuer authorized and directed or ratified herein or by a Supplemental Resolution.

"Net Proceeds" means the face amount of the Bond, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2002 Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Bond, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Council or the Authority, fiscal agents, Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bond, charges for the 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 Bond and as of any particular date, describes all Bond theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bond registered to the Issuer.

"Parity Bond" or "Parity Bonds" means additional bonds issued under the provisions and within the limitation prescribed by Section 6.07 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means, collectively, the Sewerage System Revenue Bonds, Series 1994 A, dated April 22, 1994, issued in the original principal amount of $1,023,500, Sewerage System Revenue Bonds, Series 1994 B, dated April 22, 1994, issued in the original principal amount of $175,276, Sewerage System Revenue Bonds, Series 1995 A, dated June 29, 1995, issued in the original principal amount of $634,000, and Sewerage System Revenue Bonds, Series 1999 A (West Virginia SRF Extended Bond Purchase Program), dated July 15, 1999, issued in the original principal amount of $2,518,000.

"Prior Resolutions" means, collectively, the resolutions adopted by the Issuer and effective on April 18, 1994, June 28, 1995, and July 8, 1999, authorizing the issuance of the Prior Bonds.

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

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

"Project Account" means the Project Account established by Section 4.01 hereof.

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

(a) Government Obligations;

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

(c) Bond, 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 Code of West Virginia, 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.

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

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

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

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

"Revenue Fund" means the Revenue Fund heretofore established by the Prior Resolutions.

"Secretary" means the Secretary of the Issuer.

"Series 2002 Bond Reserve Account" means the Series 2002 Bond Reserve Account established in the Series 2002 Bond Sinking Fund pursuant to Section 4.02 hereof.

"Series 2002 Bond Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year.

"Series 2002 Bond Sinking Fund" means the Series 2002 Bond Sinking Fund established by Section 4.02 hereof.

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution.

"Surplus Revenues" means the Net Revenues not required by the Resolution to be set aside and held for the payment of or security for the Bond, the Prior Bonds or any other obligations of the Issuer, including the Renewal and Replacement Fund, the Sinking Funds and the Reserve Accounts.

"System" means the complete public service properties of the Issuer for or in connection with the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, and all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the sewer system; and shall also include the Project and any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the sewer system after completion of the Project.

"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 PROJECT

Section 2.01. Authorization of Acquisition, Construction and Equipping of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of $7,800,000 in accordance with plans and specifications prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof. The Issuer will receive bids and will enter into contracts for the acquisition, construction and equipping of the Project, which will be in an amount and otherwise compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated to be $7,800,000, of which approximately $3,500,000 will be obtained from proceeds of the Bond, approximately $1,750,000 will be obtained from a grant by the Council, approximately $1,500,000 will be obtained from a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant), and

approximately $1,050,000 will be obtained from a grant by The County Commission of Kanawha County.

ARTICLE III

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

Section 3.01. Authorization of Bond. For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bond and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be and hereby are authorized to be a issued negotiable Bond of the Issuer. Said Bond shall be issued as a single bond and designated as "Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund)", in the aggregate principal amount of not more than $3,500,000 and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bond remaining after funding of the Series 2002 Bond Reserve Account (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Project Account established by Section 4.01 hereof.

Section 3.02. Terms of Bond. The Bond shall be issued in such principal amount; 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 Bond 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 Bond, if any, shall be paid by check or draft of the Paying Agent, or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by a Supplemental Resolution, the Bond 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 Bond. The Bond shall be exchangeable at the option and expense of the Holder for other fully registered Bond of the same series Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bond; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bond shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Resolution.

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

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 Section 3.08 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 have 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 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 the Bond issued hereunder.

Section 3.04. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond 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 Bond shall be conclusively deemed to have agreed that such Bond 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 Bond shall be incontestable in the hands of a bona fide holder for value.

So long as the Bond remains outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bond. The registered Bond 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 Bond or transferring the registered Bond are exercised, Bond shall be delivered in accordance with the provisions of this Resolution. All Bond surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Bond, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bond during the period commencing on the 15th day of the month preceding an interest payment date on the Bond or, in the case of any proposed redemption of Bond, next preceding the date of the selection of Bond to be redeemed, and ending on such interest payment date or redemption date.

Section 3.05. Bond 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 Bond 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 Bond so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.06. Bond not to be Indebtedness of Issuer. The Bond shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of any of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Bond or the interest, if any, thereon.

Section 3.07. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured by a first lien on the Net Revenues derived from the System on parity with the lien of the Prior Bonds, in addition to the statutory mortgage lien on the System. Such Net Revenues in an amount sufficient to pay the principal of, interest, if any, on and other payments for the Bond and the Prior Bonds and to make the payments into the Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund, are hereby irrevocably pledged to such payments as the same become due on a parity basis.

Section 3.08. Form of Bond. The text of the Bond 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
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That the CHELYAN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Kanawha County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of _____ Dollars ($_____), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference. Principal of this Bond is payable in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.

This Bond shall bear on interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

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

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The existing sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia of 1931, as amended (collectively, the "Act"), a Resolution duly adopted by the Issuer and effective on February 22, 2002, and a Supplemental Resolution duly adopted by the Issuer on _____ __, 2002 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and

such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

THIS BOND IS ISSUED ON PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,023,500, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $175,276, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $634,000, AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA SRF EXTENDED BOND PURCHASE PROGRAM), ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $2,518,000 (COLLECTIVELY, THE "PRIOR BONDS").

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 parity with the pledge of Net Revenues in favor of the Prior Bonds, and from moneys in the Reserve Account created under the Resolution for this Bond (the "Series 2002 Bond Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all Bonds that 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, if any, except from said special fund provided from the Net Revenues, the moneys in the Series 2002 Bond Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest, if any, on this Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such Net Revenues on parity with this Bond, provided however, that so long as there exists in the Series 2002 Bond Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding on parity with this Bond, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the registered owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and upon 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 Resolution, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

This Bond 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, CHELYAN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated _____ __, 2002.

CHELYAN PUBLIC SERVICE DISTRICT

[SEAL]

By: _____
Chairperson

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2002 Bond described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2002

THE CITY NATIONAL BANK OF WEST VIRGINIA,
as Registrar

By: _____

Its: _____

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $_____	__/__/02	(13) $	
(2) $		(14) $	
(3) $		(15) $	
(4) $		(16) $	
(5) $		(17) $	
(6) $		(18) $	
(7) $		(19) $	
(8) $		(20) $	
(9) $		(21) $	
(10) $		(22) $	
(11) $		(23) $	
(12) $		(24) $	
		TOTAL $	

EXHIBIT B

DEBT SERVICE SCHEDULE

ASSIGNMENT

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

Dated: _____, 20__.

_____
(Assignor)

Witnessed in the presence of:

_____

Section 3.09. Sale of Bond; Ratification of Execution of Loan Agreement with Authority and Council; Incorporation of Terms. The Bond shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairperson is specifically authorized and directed to execute the Loan Agreement in substantially the form attached hereto as "Exhibit A" and made a part hereof, with such changes, insertions and omissions as may be approved by the Chairperson, the execution of which shall be conclusive evidence of such approval, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Council and the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The Loan Agreement, including all schedules and exhibits attached thereto, as the same may be amended and/or supplemented, and the terms and provisions thereof, are herein incorporated by reference thereto.

Section 3.10. Filing of Amended Schedule. Upon completion of the acquisition, construction and equipping of the Project, the Issuer will file with the Authority and the Council a schedule, the form of which shall be provided by the Council, setting forth the actual costs of the acquisition, construction and equipping of the Project and sources of funds thereof.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with the Depository Bank. The following special funds or accounts are created or continued and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Project Account.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

(1) Series 2002 Bond Sinking Fund;

(a) Within the Series 2002 Bond Sinking Fund, the Series 2002 Bond Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from

all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall, on the first day of each month, transfer from the Revenue Fund an amount necessary and sufficient to pay current Operating Expenses.

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

(3) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the principal payments on the Prior Bonds in the amounts and on the dates required by the Prior Resolutions and (ii) on the first day of each month, beginning three (3) months prior to the first date of payment of principal of the Bond, as set forth in Schedule Y to the Loan Agreement, remit to the Commission for deposit in the Series 2002 Bond Sinking Fund, an amount equal to one-third (1/3) of the amount of principal which will mature and become due on the Bond 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 2002 Bond Sinking Fund and the next quarterly principal payment date is less than four (4) months, then such monthly payments shall be increased proportionately to provide, one (1) month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, each month, from the moneys in the Revenue Fund, (i) make the reserve account payments for the Prior Bonds in the amounts and on the dates required by the Prior Resolutions, and (ii) on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Bond, if not fully funded upon issuance of the Bond, remit to the Commission for deposit into the Series 2002 Bond Reserve Account, an amount equal to 1/120 of the Series 2002 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 2002 Bond Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 Bond Reserve Requirement.

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

With respect to the payments made by the Issuer under Section 4.03A (3) through (4) above which relate to the Bond, the Issuer shall complete the Monthly Payment Form attached to the Loan Agreement and submit a copy of said form and the check or checks representing such payments to the Authority by the 5th day of such calendar month.

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

Moneys in the Series 2002 Bond Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Bond, as the same shall become due. Moneys in the Series 2002 Bond Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bond, as the same shall come due, when other moneys in the Series 2002 Bond Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2002 Bond Sinking Fund and Series 2002 Bond Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during acquisition, construction and equipping of the Project, be deposited in the Project Account, and following completion of acquisition, construction and equipping of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the Bond, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 2002 Bond Reserve Account that result in a reduction in the balance of the Series 2002 Bond Reserve Account to below the Series 2002 Bond Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full to the Series 2002 Bond Sinking Fund for payment of debt service on the Bond.

As and when additional bonds ranking on a parity with the Bond are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective Reserve Account in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2002 Bond Sinking Fund or into the Series 2002 Bond Reserve Account therein when the aggregate amount of funds in said Series 2002 Bond Sinking Fund and Series 2002 Bond Reserve Account are at least equal to the aggregate principal amount of the Bond issued pursuant to this Resolution then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2002 Bond Sinking Fund and the Series 2002 Bond 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, the Issuer shall make the necessary arrangements whereby required payments into such accounts shall be automatically

debited from the Revenue Fund and electronically transferred to the Commission on the dates hereof.

Moneys in the Series 2002 Bond Sinking Fund and the Series 2002 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 2002 Bond Sinking Fund, including the Series 2002 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bond Outstanding under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payments, 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 the 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.

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

D. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Registrar's fees, the Paying Agent's fees and the Depository Bank's charges then due.

E. The City National Bank of West Virginia is hereby designated as the Bond Registrar for the Bond and as the Depository Bank. The Commission is hereby designated as Paying Agent for the Bond.

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

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

H. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If requested in writing by the Authority and the Council, all remittances may be made by electronic transfer or automatic debit.

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

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

ARTICLE V

BOND PROCEEDS; DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Bond, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bond, there shall be deposited with the Commission in the Series 2002 Bond Reserve Account the sum, if any, required hereunder for funding the Series 2002 Bond Reserve Account.

B. The remaining moneys derived from the sale of the Bond shall be deposited by the Issuer as received from time to time in the Project Account established hereunder.

C. The Depository Bank shall comply with all requirements with respect to the disposition of the Project Account set forth in this Resolution. Moneys in the Project Account shall be used solely to pay Costs of the Project and, until so transferred or expended, are hereby pledged as additional security for the Bond.

Section 5.02. Disbursements from the Project Account. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 5.01 hereof, disbursements from the Project Account shall be made only after submission to and approval from the Authority and the Council of the following:

(1) 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 Project Account only the net amount remaining after deduction of any such portion. All payments made from the Project Account shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Project Account. 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 Project Account, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, any proceeds of the Bond remaining shall be applied as directed by the Council.

The Issuer shall expend all proceeds of the Bond within 3 years of issuance of the State's general obligation bonds, the proceeds of which were used to make the loan to the Issuer.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Resolution shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bond. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the Holder of the Bond as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Bond, or any interest thereon, is Outstanding and unpaid.

Section 6.02. Bond not to be Indebtedness of the Issuer. The Bond 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 Resolution. No Holder or Holders of any Bond shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Bond or the interest, if any, thereon.

Section 6.03. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond issued hereunder shall be secured forthwith by a first lien on the Net Revenues derived from the operation of the System on parity with the lien of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Bond and the Prior Bonds and to make the payments into all funds and accounts, and all other payments provided for in the Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest, if any, on the Bond and the Prior Bonds as the same become due, and for the other purposes provided in the Resolution.

Section 6.04. Rates. Prior to issuance of the Bond, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be established, all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest, if any, on the Bond and the Prior Bonds and all other obligations secured by a lien on or payable from such revenues on parity with the Bond; provided that, in the event that an amount at least equal to or in excess of the Series 2002 Bond Reserve Requirement is on deposit in the Series 2002 Bond Reserve Account and the Reserve Accounts for obligations on parity with the Bond, including the Prior Bonds, are funded at least at the requirement therefor, such balance each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest, if any, on the Bond and all other obligations on parity with the Bond.

Section 6.05. Sale of the System. So long as the Prior Bonds are Outstanding, the System may not be sold, transferred, mortgaged, leased or otherwise disposed of, except in accordance with the terms of the Prior Resolutions. So long as the Bond is Outstanding and except as otherwise required by state law and with the consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bond and effectively defease this Resolution in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bond, immediately be remitted to the Commission for deposit in the Series 2002 Bond 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 of the Outstanding Bond. Any balance remaining after the

payment of all the Outstanding Bond 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 and the Council, be remitted by the Issuer to the Commission for deposit in the Series 2002 Bond Sinking Fund and shall be applied only to the purchase of Bond of the last maturities then Outstanding at prices not greater than the redemption price of such Bond. Such payment of such proceeds into the Series 2002 Bond Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bond then outstanding without the prior approval and consent in writing of the Council and the Holders, or their duly authorized representatives, of the Bond then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Council and the then Holders of the Bond for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.06 and in Section 6.07, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise 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 Bond and the Prior Bonds. All obligations issued by the Issuer after the issuance of the Bond 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 Bond and the Prior 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 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 parity with the lien of the Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bond and the interest, if any, thereon in this Resolution, or upon the System or any part thereof.

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

Section 6.07. Parity Bonds. So long as the Prior Bonds are Outstanding, no Parity Bonds shall be issued except in accordance with the terms of the Prior Resolutions. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bond issued pursuant to this Resolution, except under the conditions and in the manner herein provided. No Parity Bonds shall be issued without the prior written consent of the Authority and the Council.

All Parity Bonds issued hereunder shall be on parity in all respects with the Bond.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of the System or extensions, improvements or betterments to the System or refunding any Outstanding 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 twelve (12) consecutive months, within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bond, plus the estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such Parity Bond, shall not be less than one hundred fifteen percent (115%) of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and the Bond 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such 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 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 twelve (12) consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and 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 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 Resolution (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holder of the Bond and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Any Parity Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bonds of one series over any other Bonds 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 the Bond 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 the revenues of the System is subject to the prior and superior liens of the Bond 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 Bond.

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

Section 6.08. Books, Records and Audit. The Issuer shall keep complete and accurate records of the costs of acquisition, construction and equipping the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and

information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

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

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bond and the status of all said funds and accounts.

(C) The amount of any Outstanding Bond or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants, in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or

Holders of Bond and shall submit said report to the Council and the Authority, or any other original purchaser of the Bond. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Resolution and the Act and that Gross Revenues are adequate to meet Operating Expenses and debt service and reserve requirements.

Commencing on the date contracts are executed for the acquisition, construction and equipping of the Project and for two (2) years following the completion of the Project, the Issuer shall each month complete a Monthly Financial Report, the form of which is attached to the Loan Agreement and made a part hereof, and forward a copy of such report by the 10th of each month to the Authority and the Council.

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

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

Section 6.09. Operating Budget. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within thirty (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 ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Council, the Authority and to any Holder of any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation

and maintenance of the System at all reasonable times to the Council and to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bond.

Section 6.10. Engineering Services and Operating Personnel. Prior to the issuance of the Bond, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project will be constructed in accordance with the approved plans, specifications and design as submitted to the Council and the Authority, as the case may be, the Project is or will be adequate for the purposes for which it was designed, the funding plan as submitted to the Council and the Authority is sufficient to pay the costs of the acquisition, construction and equipping of the Project and all permits required by federal and state laws for the construction of the Project have been obtained.

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

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

Section 6.11. 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 6.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the 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 Issuer does not own the water facilities, 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 such entity.

Section 6.13. 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 6.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bond remains Outstanding, the Issuer and its contractors and subcontractors will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

> (1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement 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 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 Issuer, the contractors and subcontractors, as their interests may appear.
>
> (2) PUBLIC LIABILITY INSURANCE, with limits of not less than $1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than $500,000 per occurrence from

claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

(6) FIDELITY BONDS will be provided by every officer, member and employee of the Issuer having custody of the revenues or any 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 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. The Issuer shall verify such bonds prior to commencement of construction.

C. The Issuer shall also require all contractors and subcontractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts and on terms satisfactory to the Authority and the Council; 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. The Issuer shall verify such insurance prior to commencement of construction.

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 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 thirty (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, provided that Issuer gives no assurance of compliance with these requirements for parties outside the limits of the Issuer.

Section 6.16. 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 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.

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

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

A. PUBLIC PURPOSE BOND. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bond or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bond as a "private activity bond" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bond.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bond are used, directly or indirectly, to make or finance a loan to persons other than state or local government units.

D. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bond 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 6.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

Section 6.19. Securities Law 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 6.20. Statutory Mortgage Lien. For the further protection of the holders of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bond; provided that, the statutory mortgage lien of the Bond shall be on parity with that of the Prior Bonds.

Section 6.21. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Bond or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Bond held in "contingency" as set forth in the schedule attached to the certificate of

the Consulting Engineers. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Bond made available due to bid or construction or project underruns.

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

ARTICLE VII

INVESTMENT OF FUNDS

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 7.01 and in Section 7.02.

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 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 trust department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, 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 Bond is outstanding.

Section 7.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Bond as a condition to the issuance of the Bond. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Bond, as may be necessary in order to maintain the status of the Bond

as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Bond that would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Bond are derived, to lose their status as tax-exempt bonds; and (iii) to take any action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

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

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bond:

(1) If default occurs in the due and punctual payment of the interest on or principal of any of the Bond or the Prior 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 Bond set forth in this Resolution, or the Loan Agreement, any Supplemental Resolution or in the Bond, and such default shall have continued for a period of thirty (30) days after the Issuer shall have been given written notice of such default by the Commission, 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 under the Prior Resolutions.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding 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 past due and unpaid principal or interest, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Outstanding Bond, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Outstanding Bond, and (v) by action or bill in equity enjoin any acts in violation of the Resolution with respect to the Outstanding Bond, or the rights of such Registered Owners; provided that, all rights and remedies of the holder of the Bond shall be on parity with the holders of the Prior Bonds.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bond and interest and deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bond. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the 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 Owner of such Bond and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any

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

ARTICLE IX

PAYMENT OF BONDS

Section 9.01. Payment of Bond. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, 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 Resolution, then with respect to the Bond only the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE X

RATES, RULES, COVENANTS, ETC.

Section 10.01. Initial Schedule of Rates and Charges.

A. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement.

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

B. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in a Final Order of the Public Service Commission of West Virginia dated June 14, 1999, in Case Number 98-0639-PSD-CN, which order is incorporated herein by reference and is made a part hereof.

C. The Issuer hereby ratifies and adopts to the extent necessary the rates and charges as set out in the above-referenced order and included on the tariff sheet filed with the Public Service Commission of West Virginia.

Section 10.02. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

ARTICLE XI1

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. Prior to the issuance of the Bond, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following the issuance of the Bond, 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 Bond shall be made without the consent in writing of the Registered Owners of the Bond so affected and then Outstanding and the Council and the Authority; provided, that no change shall be made in the maturity of any Bond 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 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 Bond required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bond from gross income of the holders thereof.

Section 11.02. Resolution Constitutes Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the Registered Owners of the Bond, and no change,

variation or alteration of any kind of the provisions of the Resolution shall be made in any manner, except as in this Resolution provided.

Section 11.03. 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, a Supplemental Resolution or the Bond.

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

Section 11.05. Conflicting Provisions Repealed. Subject to the continuing applicability of the Prior Resolutions so long as the Prior Bonds are Outstanding, all ordinances, order 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 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 Chairperson, 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 its adoption and after the public hearing.

Section 11.08. Statutory Notice of Meeting and Bond Issue. Notice of the date, time and place of the meeting at which the Governing Body considered this Resolution for adoption was given at least ten (10) days in advance thereof by Class II legal advertisements in T*he Charleston Gazette* and the *Charleston Daily Mail*, newspapers of general circulation in the area served by the Issuer.

The Issuer has duly published a notice of the acquisition, construction and equipping of the Project, the issuance of the Bond and related matters, as required by the Act, thirty (30) days prior to making formal application to the Public Service Commission of West Virginia for a certificate of public convenience and necessity.

Adopted this 22nd day of February, 2002.

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Chairperson

[SEAL]

ATTEST:

Samuel L. Shelton
Secretary

CERTIFICATION

The undersigned does hereby certify that the attached Resolution is a true and accurate copy of a Resolution duly adopted by the Public Service Board of the CHELYAN PUBLIC SERVICE DISTRICT on February 22, 2002, and that the foregoing document remains in full force and effect and has not been amended.

Dated: February 22, 2002.

[SEAL]

Samuel T. Shelton
Secretary

CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE CHELYAN PUBLIC SERVICE DISTRICT SEWER REVENUE BOND, SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BOND TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; MAKING PROVISIONS FOR THE PAYMENT OF THE BOND; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Board") of the Chelyan Public Service District (the "District"), has duly and officially adopted a Bond Resolution on February 22, 2002 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF CHELYAN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF A PORTION OF SUCH COSTS THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BOND, SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BOND; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO SUCH BOND; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund) (the "Bond"), in the aggregate principal amount not to exceed $3,500,000, and has authorized the execution and delivery of a Loan Agreement by and between the District and the West Virginia Water Development (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") relating to the Bond (the "Loan Agreement"), including all schedules and exhibits attached thereto, all in accordance with Chapter 16, Article 13A and

Section 4. The District does hereby ratify the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairwoman, and the performance of the obligations contained therein on behalf of the District are hereby authorized, directed, ratified and approved. The District hereby affirms all covenants and representations made in the Loan Agreement and in the Applications to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds will be advanced from time to time as requisitioned by the District.

Section 5. On the date hereof, proceeds of the Bond in the amount of $92,700 shall be used to pay, in full, the District's Sewer System Design Notes, Series 1998.

Section 6. The proceeds of the Bond, as advanced from time to time, shall be deposited in or credited to the Project Account for payment of Costs of the Project, including costs of issuance of the Bond.

Section 7. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bond hereby and by the Resolution approved and provided for, to the end that the Bond may be delivered on or about June 4, 2002, to the Authority pursuant to Loan Agreement.

Section 8. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 9. The District hereby determines to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the District hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such money market accounts until further directed in writing by the District. Moneys in the Series 2002 Bond Sinking Fund and the Series 2002 Bond Reserve Account shall be invested by the Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 10. The District hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project. The District hereby approves the costs of issuance and authorizes the payment of the same.

Section 11. This Supplemental Resolution shall be effective immediately following adoption hereof.

ORIGINAL

CHELYAN PUBLIC SERVICE DISTRICT

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

MINUTES ON ADOPTION OF BOND
RESOLUTION FOLLOWING PUBLIC MEETING

I, Samuel Shelton, Secretary of the Public Service Board of the Chelyan Public Service District, hereby certify that the following is a true and correct copy of the minutes of a meeting of the Public Service Board of the Chelyan Public Service District:

* * * * * * * * *

The Public Service Board of Chelyan Public Service District met in special session, pursuant to notice duly given, on the 22nd day of February, 2002, at its offices in Chelyan, West Virginia, at the hour of 2:00 P.M.

PRESENT:	Joyce L. McPhail	Chairperson
	Samuel Shelton	Member
ABSENT:	Jerry W. Jessie	

Also in attendance were H. Wyatt Hanna, III, Ashok Sanghavi, PE, William K. Bragg, Jr., Esq. and Sam Hope.

Joyce L. McPhail, Chairperson, presided, and Samuel Shelton acted as Secretary.

The Chairperson announced that a quorum of members was present and that the meeting was open for any business properly before it. She stated that the proposed Bond Resolution would be subject to protests and suggestions from any interested person at this time in accordance with the publication of an abstract of said Bond Resolution and a Notice of Meeting, which publication has been duly made, and the Chairperson called for protests and suggestions as to said Bond Resolution, and all persons desiring to protest said Bond Resolution or to make any suggestions with reference thereto were heard.

There being no protests or suggestion made as to the Bond Resolution, the Chairperson thereupon stated that it would be in order to consider the Bond Resolution for adoption, and the Chairperson presented the proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF CHELYAN PUBLIC SERVICE DISTRICT, AND THE FINANCING OF A PORTION OF SUCH COSTS THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL

MINUTES OF THE
SPECIAL MEETING OF THE
CHELYAN PUBLIC SERVICE DISTRICT
HELD WEDNESDAY MAY 29, 2002

ATTENDANCE:

COMMISSIONERS:	Joyce McPhail, Chairperson Samuel Shelton, Secretary Jerry Jessie, Treasurer
MANAGER:	Sam Hope
OFFICE SUPERVISOR:	Donna Hively
SECRETARY:	Angie Garrison
GUESTS:	Alva Page, Hanna & Page Todd Dingess, Smith, Cochran & Hicks Bill Bragg, Goodwin & Goodwin

Chairperson McPhail called the Special Meeting of the Chelyan Public Service District to order at 2:00 p. m., in the District Office of the Treatment Facility, Rt. 61, Chelyan, WV.

A Quorum was present.

The purpose of this meeting is to discuss and act upon a Supplemental Resolution to enable the Chelyan Public Service District to obtain the Bonds for Phase II of the Cabin Creek Extension Project.

MOTIONS PROPERLY PRESENTED, SECONDED AND PASSED:

Mr. Jessie moved to approve the Supplemental Resolution for Phase II of the Cabin Creek Extension Project. Mr. Shelton presented the second and the motion carried.

Mr. Shelton moved to approve the Rules of Procedure for Regular & Special Board Meetings, submitted by Bill Bragg, Goodwin & Goodwin. Mr. Jessie asked if the statement in article 7 allowed the Board to make changes to the Rules of Procedure as they see fit, Mr. Bragg said Chelyan Public Service District Board members could be make changes to the Rules of Procedure, after a vote and approval by a majority of the Board members. Mr. Jessie presented the second and the motion carried.

Mr. Jessie moved to approve Draw Down #1 Resolution for payment of the following invoices:

MINUTES OF THE
SPECIAL MEETING OF THE
CHELYAN PUBLIC SERVICE DISTRICT
HELD WEDNESDAY MAY 29, 2002

Goodwin & Goodwin	$	12,750.00
Hanna & Page		5,370.00
S & S Engineers, Inc.		4,900.00
Smith, Cochran & Hicks		4,204.75
Chelyan PSD – Reimbursement		42,912.60
Pay off IJDC Design Note		92,700.00
Total:	$	162,837.35

Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the Resolution for the Chelyan Public Service District in the amount of $42,912.60 previously expended. Mr. Shelton presented the second and the motion carried.

NEW BUSINESS:

Mr. Bragg, Goodwin & Goodwin, stated Chelyan Public Service District approved a Bond Resolution in February 2002, for Phase II of the Cabin Creek Extension Project and the bond closing date is scheduled for Tuesday June 4, 2002 at 1:30 p.m. at the Water Development Authority office, 180 Association Drive, Charleston, WV.

Mr. Bragg said two items must be considered for approval during this Special Meeting; one is the Supplemental Resolution, which establishes the exact amount of the Bond issue, the rates and payment terms of the Series 2002 bond. Mr. Bragg read the title of the Supplemental Resolution (see attached). The exact amount of the Series 2002 bond is $3,118,574.00 payable quarterly (March 1, June 1, September 1, December 1 of each year), payments in the amount of $20,250.48 will begin on March 1, 2004 and the bond will mature 40 years from the issue date, which will be June 1, 2042.

The second item to be considered for approval is the Rules of Procedure for Regular Monthly Meetings and Special Meetings of the Chelyan Public Service District. Mr. Bragg said the Lender's Counsel is requiring the Board to consider these Rules of Procedure to replace the Rules of Procedure in effect at this time (see attached). Chairperson McPhail said the Chelyan Public Service District currently complies with many of these rules.

Mr. Jessie moved to adjourn the meeting at 2:30 p.m. Mr. Shelton presented the second and the motion carried.

APPROVED: Samuel L. Shelton

DATE: May 29, 2002

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SALES REP ID	0070
INVOICE NBR	911401001

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ISSUE DATE	AD TYPE	PUB	DESCRIPTION REFERENCE NBR PURCHASE ORDER #	AD NUMBER	AD SIZE TOTAL RUN	RATE	GROSS AMOUNT	NET AMOUNT
			LEGAL DISCOUNT 25%				59.23-	177.69
			TOTAL INVOICE AMOUNT					414.61

State of West Virginia, **AFFIDAVIT OF PUBLICATION**

I, Sandra Lioy of
THE CHARLESTON GAZETTE, A DAILY DEMOCRATIC NEWSPAPER,
THE DAILY MAIL, A DAILY REPUBLICAN NEWSPAPER,
published in the city of Charleston, Kanawha County, West Virginia, do solemnly swear that the annexed notice of:
CHELYAN PSD
was duly published in said paper(s) during the dates listed below, and was posted at the front door of the court house of said Kanawha County, West Virginia, on the 9TH day of FEBRUARY 2002. Published during the following dates: 02/08/02-02/15/02
Subscribed and sworn to before me this 19 day of February.
Printers fee $ 414.61

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LYNN R. FIELDER
3245 PUTNAM AVE.
HURRICANE, WV 25528
My commission expires December 11, 2006

Lynn R. Fielder
Notary Public of Kanawha County, West Virginia

ABSTRACT OF RESOLUTION AND NOTICE OF PUBLIC HEARING

Pursuant to the provisions of West Virginia Code Chapter 6, Article 9A, Section 6 and Chapter 16, Article 13A, as amended, you are hereby notified that a public hearing before the Public Service Board (the "Board") of the Chelyan Public Service District (the "District") will be held on the 22nd day of February, 2002, at which public hearing the Board will consider for adoption a Resolution entitled:

"RESOLUTION AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF THE CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND EQUIPPING COST THROUGH THE ISSUANCE BY THE DISTRICT OF $3,118,574 IN AGGREGATE PRINCIPAL AMOUNT OF ITS SEWER REVENUE BOND, SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND); AND THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE PUBLIC SEWER SYSTEM THROUGH FINANCING TO BE OBTAINED BY THE DISTRICT AT A COST ESTIMATED TO BE $718,574 WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF OR AVAILABLE TO THE CHELYAN PUBLIC SERVICE DISTRICT WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FUND RESERVE ACCOUNTS FOR SUCH BOND AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF THE OWNERS OF SUCH BOND; APPROVING A LOAN AGREEMENT RELATING TO SUCH BOND; PLEDGING NET REVENUES AS SECURITY FOR BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMITATION ON SALE OF SYSTEM; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The Resolution will be considered at a public hearing to be held on February 22, 2002. The Resolution authorize the District to issue not to exceed $3,118,574 of its Sewer Revenue Bonds, Series 2002 (West Virginia Infrastructure Fund) (the "Bonds"). The Bonds would provide a portion of the funds to acquire, construct and equip certain betterments and improvements to the District's sewer system (the "System").

The entire amount of the principal of and interest, if any, on the Bonds would be paid from revenues generated from the operation of the System. The Resolution further provides as follows:

1. The debt service on the Bonds would be payable from the revenues of the System.

2. The District has the authority under Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended, to finance the operations of the System.

3. The District has determined that the revenues generated by the operation of the System are sufficient to pay the principal of and interest, if any, on the Bonds as the same become due including all sinking fund and other payments provided for in the Resolution.

4. The Resolution provides that it is in the best interests of the District to sell the Bonds at an annual interest rate of 0% and in the principal amount of $3,118,574, to the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council. The Bonds shall mature not more than 40 years from their date of issuance.

5. The Resolution provides that the Chairman shall execute the Bonds in the name of the District, and the seal of the District shall be affixed thereto or imprinted thereon and attested by the Secretary. The West Virginia Municipal Bond Commission shall serve as the Paying Agent of the Series 2002 Bonds.

6. The Resolution provides for the continuation of the Revenue Fund; the disposition of System revenues; the payment of operating expenses, the payment of quarterly payments, when due; the creation of a reserve account; the continuation of a Renewal and Replacement Fund; and the use of excess funds of the System.

7. The Resolution provides for the use of Bond Proceeds for the construction of additions and betterments to the System and the manner and method of disbursing the proceeds of the Bonds.

8. The Resolution provides for the investment of the Bond proceeds and includes covenants designed to maintain the Bonds tax-exempt status.

9. The Resolution establishes terms for default and remedies of the owners of the Bonds.

A copy of the Resolution is available for examination by any interested person at the District's office during regular office hours of such office, which are 8:00 a.m. to 4:00 p.m., Monday through Friday.

The District contemplates the issuance of the Bonds described in and under the conditions set forth in the Resolution, abstracted above. The public hearing will be held at 14991 MacCorkle Avenue, Chelyan, West Virginia, on the 22nd day of February, 2002, at 2:00 p.m., and any person or persons interested may appear before Board and be heard and may present protests and objections to the passage of the Resolution and the issuance of the Bonds.

Dated this 5th day of February, 2002.

CHELYAN PUBLIC SERVICE DISTRICT
KANAWHA COUNTY, WEST VIRGINIA
Joyce McPhail, Chairman
Samuel Shelton, Secretary (452735)

CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

GENERAL CERTIFICATE ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. LOAN AGREEMENT
13. SPECIMEN BOND
14. BOND PROCEEDS
15. CONFLICTS OF INTEREST
16. VERIFICATION OF SCHEDULE
17. GRANTS
18. COUNTERPARTS

We, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of Chelyan Public Service District (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), dated the date hereof (the "Bond" or the "Series 2002 Bond"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution duly adopted by the Issuer on February 22, 2002, and the Supplemental Resolution duly adopted by the Issuer on May 29, 2002 (collectively, the "Resolutions"), and the loan agreement for the Series 2002 Bond by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated June 4, 2002 (the "Loan Agreement").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the authorization, issuance, sale and delivery of the Bond, the

acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bond; nor affecting the validity of the Bond or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members or officers of the Issuer or the Board thereof to their respective offices; nor questioning any proceedings of the Issuer taken with respect to the authorization, issuance, sale or delivery of the Bond, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bond.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, permits, exemptions, consents, authorizations, registrations, licenses, orders and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System and the issuance of the Bond 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 by the Issuer in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 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 of the Loan Agreement. The Issuer has met all conditions set forth in the Loan Agreement and will provide the financial, institutional, legal and managerial capabilities necessary to complete and operate the Project.

The Series 2002 Bond shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Issuer has met the parity and coverage requirements of the Prior Bonds and the Prior Resolutions 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. The Issuer has obtained (i) a certificate of an Independent Certified Public Accountant stating that the parity and coverage tests of the Prior Bonds have been met and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2002 Bond on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer that are secured by revenues or assets of the System.

5. SIGNATURES AND DELIVERY: The undersigned Chairperson and Secretary are the duly elected or appointed, qualified and acting officers of the Issuer as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bond for the Issuer. The seal impressed upon the Bond and this Certificate is the duly authorized, proper and only seal of the Issuer. On the date hereof, the undersigned Chairperson did officially sign the Bond, consisting upon original issuance of a single Bond, dated the date hereof, by his manual signature; the undersigned Secretary did officially cause the seal of the Issuer to be affixed upon the Bond and to be attested by her manual signature; the Registrar did officially authenticate and deliver the Bond to a representative of the Authority as the original purchaser of the Bond under the Loan Agreement.

6. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the order of the Public Service Commission of West Virginia (the "PSC") entered on April 12, 2002, in Case No. 01-0995-PSD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project. Such order remains in full force and effect.

The Issuer has duly published the required notice with respect to, among other things, the amount of the Bond to be issued, the interest rate and terms of the Bond, the Project to be acquired or constructed and the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended.

7. RATES: The rates for the System, as approved by the PSC Order, entered June 9, 1999 in Case No. 98-0639-PSD-CN, will become effective when the Project is substantially complete.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Chelyan Public Service District", and it is a public service district organized and existing under the laws of, and a public corporation and political subdivision of, the State of West Virginia in Kanawha County of said State. The governing body of the Issuer is its Board, consisting of three members, whose names and dates of commencement and termination of their current terms are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Joyce L. McPhail	August 12, 1999	August 1, 2005
Samuel Shelton	September 3, 1998	August 1, 2006
Jerry W. Jessie	March 17, 2001	August 1, 2003

The duly elected or appointed officers of the Board for 2002 are as follows:

Joyce L. McPhail	-	Chairperson
Samuel Shelton	-	Secretary
Jerry W. Jessie	-	Treasurer

The duly appointed and acting attorney for the Issuer is H. Wyatt Hanna, III, Esquire, of South Charleston, West Virginia.

9. 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 that would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties that 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 Bond.

10. MEETINGS: All actions, resolutions, orders and agreements taken, adopted and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bond and the acquisition, construction, operation and financing of the Project or the System were authorized or adopted at meetings of the Board duly and regularly or specifically called and held pursuant to all applicable statutes and the rules of procedure of the Board, and a quorum of duly appointed, qualified and acting members of the Board 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.

11. INSURANCE: The Issuer will maintain or, as appropriate, will require all contractors to maintain Workers' Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Resolutions and the Loan Agreement.

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

13. SPECIMEN BOND: Attached hereto as Exhibit A is a specimen of the Bond which, except as to execution and authentication, is identical in all respects with the Bond this day delivered to the Authority and being substantially in the form prescribed in the Resolutions.

14. BOND PROCEEDS: On the date hereof, the Issuer received $162,837 from the Authority and the Council, being a portion of the principal amount of the Series 2002 Bond. The balance of the principal amount of the Series 2002 Bond will be advanced to the Issuer from time to time as acquisition and construction of the Project progresses.

15. CONFLICTS OF INTEREST: No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or the sale of any land, materials, supplies or services to the Issuer, or to any contractor supplying the Issuer, relating to the Bond, the

Resolutions 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.

16. VERIFICATION OF SCHEDULE: The final amended Schedule B attached to the Certificate of Consulting Engineer, with the signature of the Chairperson and the Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bond.

17. GRANTS: As of the date hereof, the Small Cities Block Grant in the amount of $1,500,000, the Council grant in the amount of $1,750,000, and the Kanawha County Commission grant in the amount of $1,050,000 are committed for the Project and are in full force and effect.

18. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

WITNESS our signatures and the official corporate seal of Chelyan Public Service District on this 4th day of June, 2002.

[SEAL]

Signature	Official Title
Joyce McPhail	Chairperson
Samuel L. Shelton	Secretary
H. Wyatt A. III	Attorney

EXHIBIT A

See Specimen Bond (Tab No. 26)

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUSTURE FUND)

ENGINEER'S CERTIFICATE

I, Ashok Sanghavi, Registered Professional Engineer, West Virginia License No. 6177, of S & S Engineers, Inc., Charleston, West Virginia, hereby certify that my firm is engineer for the acquisition and construction of certain improvements and extensions to the existing sewer system (the "Project") of Chelyan Public Service District (the "District") to be constructed in Kanawha County, West Virginia, which construction and acquisition are being financed, in part, by the above-captioned revenue bond of the District (the "Bond"). Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Resolution adopted by the Public Service Board of the District on February 22, 2002 (the "Resolution"), and the Loan Agreement by and between the District and the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated June 4, 2002 (the "Loan Agreement").

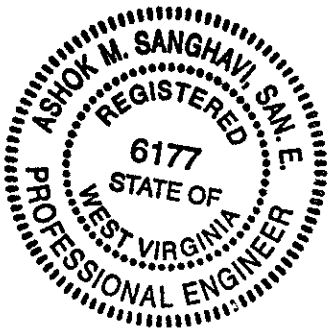
The Bond is being issued for the purposes of (i) paying a portion of the costs of the Project and (ii) paying costs of issuance and related costs.

To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the Council, and any change orders approved by the District, the Council and all necessary governmental bodies, (ii) the Project, as designed, is adequate for its intended purpose and will have a useful life of at least forty (40) years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear, (iii) the District has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto and my firm has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy, (iv) the successful bidders received any and all addenda to the original bid documents, (v) the bid documents reflect the Project as approved by the West Virginia Department of Environmental Protection and the Council and the bid forms provided to the bidders contain all critical operational components of the Project, (vi) the successful bids include prices for every item on such bid forms, (vii) the uniform bid procedures were followed, (viii) the District has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project and the operation of the System, (ix) in reliance upon the certificate of the District's certified public accountant, Smith, Cochran & Hicks, PLLC, as of the effective date thereof, the rates and charges for the System as approved by the PSC and adopted by the Public Service Board of the District are or will be sufficient to comply with the provisions of the Loan Agreement, (x) the net proceeds of the Bond, 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 or will be sufficient to pay the costs of acquisition,

construction and equipping of the Project as set forth in Schedule B, and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature on this 4th day of June, 2002.

[SEAL]



S & S ENGINEERS, INC.

By: _____

Ashok Sanghavi, P.E.
West Virginia License No. 6177

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE B

Chelyan PSD
Phase II Cabin Creek Wastewater Project

FINAL TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project	Total	IJDC	SCBG	County
1. Construction				
a. 98-3 Giles-Ohley	$2,622,160	$2,622,160	—	—
b. 98-4 Leewood	$529,705	$529,705	—	—
c. 98-5 WWTP	$2,094,000	$594,000	$1,500,000	—
2. Engineering Fees	$321,000	$321,000	—	-0-
3. Legal	$40,000	$40,000	—	-0-
4. Administration	$20,000	$10,000	—	$10,000
5. Sites and Other Lands	$20,000	—	—	$20,000
6. Contingency	$968,788	$506,009	—	$462,779
7. AEP, CSX & Permits	$108,000	$108,000	—	-0-
8. RUS & IJDC Loans	$649,921	$92,700	—	$557,221
9. TOTALS	$7,373,574	$4,823,574	$1,500,000	$1,050,000
B. Sources of Funds				
10. Local	$4,300,000	$1,750,000	$1,500,000	$1,050,000
11. Net Proceeds Required from Bond Issue (Line 9 minus Line 10)	$3,073,574	$3,073,574	-0-	-0-
C. Cost of Financing	—	—	—	—
12. Other Costs	—	—	—	—
a. Bond Counsel	$15,000	$15,000	—	—
b. Accountant	$30,000	$30,000	—	—
13. Total Cost of Financing (Lines 12a and 12b)	$45,000	$45,000	—	—
12. Size of Bond Issue (Line 11 plus Line 13)	$3,118,574	$3,118,574	—	—

Joyce McPhail
GOVERNMENTAL AGENCY

DATE: April 16, 2002

Susan Lai
CONSULTING ENGINEER

DATE: April 12, 2002

Rev. 4/12/02

Smith, Cochran & Hicks, P.L.L.C.
Certified Public Accountants Beckley Bridgeport Charleston Montgomery
405 Capitol Street • Suite 908 • Charleston, West Virginia 25301 • 304-345-1151 • Fax 304-346-6731

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFIED PUBLIC ACCOUNTANTS CERTIFICATE

I, Todd F. Dingess of Smith, Cochran & Hicks, P.L.L.C., a Certified Public Accountant, License No. 2285, Charleston, West Virginia, have reviewed the sewer service rates which were adopted by the Chelyan Public Service District (the "District"), pursuant to rates approved by the Public Service Commission of West Virginia in a Final Order dated June 9, 1999 in Case No. 98-0639-PSD-CN. It is my opinion that the schedule of rates set forth in the Rate Resolution are adequate (i) to pay operation and maintenance expenses of the System, as defined in the Bond Resolution, hereinafter described, (ii) to pay the principal of and interest, if any, on the Series 2002 Bonds and the Prior Bonds, as defined in the Bond Resolution, (iii) to meet the one hundred fifteen percent (115%) debt service coverage requirement of the Series 2002 Bonds and the Prior Bonds, as set forth in the Bond Resolution adopted by the Public Service Board of the District and effective on February 22, 2002, and (iv) to comply with the provisions of the Loan Agreement entered into between the District and the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, date June 4, 2002.

If is my further opinion that the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Series 2002 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by the Series 2002 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 Series 2002 Bonds and the Prior Bonds.

WITNESS my signature as of this 4th day of June, 2002.

Todd F. Dingess CPA

Certified Public Accountant

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF SECRETARY AS TO TRUTH AND ACCURACY OF DOCUMENTS DELIVERED

I, Samuel Shelton, the duly elected Secretary of the Chelyan Public Service District (the "District"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the $3,118,574 Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund) (the "Bond"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the District and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Order Creating the District.

2. Orders Appointing Board Members.

3. Oaths of Office of the Chairwoman, Secretary and Members of the Public Service Board (the "Board").

4. Rules of Procedure.

5. Minutes of Current Year Organizational Meeting.

6. Bond Resolution and Supplemental Resolution (collectively, the "Resolutions") adopted on February 22, 2002 and May 29, 2002, respectively.

7. Minutes of February 22, 2002 and May 29, 2002, meetings of the Board wherein the Resolutions were considered and approved.

8. Affidavit of Publication of the abstract and notice of meeting on the Bond Resolution published in *The Charleston Gazette.*

9. Recommended Decision of the Public Service Commission of West Virginia entered on April 12, 2001, in Case No. 01-0995-PSD-CN.

10. PSC Order entered June 9, 1999, in Case No. 98-0639-PSD-CN, approving rates.

11. Commitment Letter from the West Virginia Infrastructure and Jobs Development Council dated August 6, 2001.

12. 1994 Bond Resolution.

13. 1995 Bond Resolution.

14. 1999 Bond Resolution.

15. WDA Consent to Issuance of Parity Bond and Parity Lien.

16. NPDES Permit.

17. Evidence of Insurance.

18. Grant Letters.

WITNESS my signature and the official seal of the Chelyan Public Service District as of the 4th day of June, 2002.

Samuel L. Shelton
Secretary

(SEAL)

CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairperson of the Public Service Board of the Chelyan Public Service District in Kanawha County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the $3,118,574 Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), of the Issuer, dated June 4, 2002 (the "Bond"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bond. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Resolution duly adopted by the Issuer on February 22, 2002, and a Supplemental Resolution duly adopted on May 29, 2002 (collectively, the "Bond Resolution"), authorizing the Bond.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on June 4, 2002, the date on which the Bond is being physically delivered in exchange for $162,837, being a portion of the principal amount of the Bond, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

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

5. The Bond was sold on June 4, 2002, to the Authority, pursuant to a Loan Agreement dated June 4, 2002, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of $3,118,574 (100% of par), at which time, the Issuer received $162,837 from the Authority and the Council, being a portion of the principal amount of the Bond. No accrued interest has been or will be paid on the Bond.

6. The Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying in full the Issuer's Sewer System Design Notes, Series 1998; (ii) paying a portion of the costs of acquisition, construction and equipping certain additions, betterments, improvements and extensions to the public sewer system of the Issuer (the "Project"); and (iii) paying certain costs of issuance of the Bond and related costs.

7. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bond for the construction of the Project, constituting a substantial binding commitment, or has already done so. The construction of the Project and the allocation of the net sale proceeds of the Bond to expenditures for costs of the Project shall commence immediately and shall proceed with due diligence to completion, and all of the proceeds from the sale of the Bond, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before December 31, 2003. The construction of the Project is expected to be completed by December 31, 2003.

8. The total cost of the Project is estimated at $7,418,574. Sources and uses of funds for the Project are as follows:

SOURCES	
SCBG Grant	$1,500,000.00
Kanawha County Commission Grant	1,050,000.00
IJDC Grant	1,750,000.00
IJDC Bond	3,118,574.00
Total Sources	$7,418,574.00
USES	
Acquisition, Construction and Equipping	$6,121,000.00
Engineering – Construction Phase	321,000.00
Administration	78,000.00
Legal/ROWs	140,000.00
Costs of Issuance	20,000.00
Repayment of Design Note	92,700.00
Refinance RUS Loan	557,220.77
Project Contingency	88,653.23
Total Uses	$7,418,574.00

9. Pursuant to Article IV of the Bond Resolution, the following special funds have been created or continued:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Project Account;

(4) Series 2002 Bond Sinking Fund;

(5) Series 2002 Bond Reserve Account.

10. Pursuant to Article IV of the Bond Resolution, all of the proceeds of the Bond will be deposited in the Project Account and applied solely to payment of costs of the Project, including costs of issuance of the Bond and related costs, and for no other purpose.

Prior to expenditure, the proceeds of the Bond in the Project Account will be invested at a yield not to exceed the yield on the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

11. Moneys held in the Series 2002 Bond Sinking Fund will be used solely to pay principal of and interest, if any, on the Bond and will not be available to meet costs of construction of the Project.

12. The construction of the Project will proceed with due diligence to completion. The construction of the Project is expected to be completed within 20 months of the date hereof.

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

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

15. The amount designated as costs of issuance of the Bond consists only of costs that are directly related to and necessary for the issuance of the Bond.

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

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

18. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue. The Issuer covenants that it shall maintain thorough and accurate accounting records, in conformance with generally accepted accounting principles, relative to the proceeds of the Bond so that use of proceeds from the Bond can be accounted for.

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

20. The Bond is not federally guaranteed.

21. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bond if such amendment is necessary to assure that the Bond remains governmental or public purpose bonds.

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

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

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

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

WITNESS my signature as of this 4th day of June, 2002.

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Chairperson

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 4th day of June, 2002, by and between CHELYAN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision duly created under the laws of the State of West Virginia (the "Issuer"), and THE CITY NATIONAL BANK OF WEST VIRGINIA, at its office located in Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $3,118,574 aggregate principal amount of Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), in fully registered form (the "Bond"), pursuant to a Resolution adopted by the Issuer and effective on February 22, 2002 (the "Resolution");

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 Resolution, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Resolution provides for the appointment by the Issuer of a Registrar for the Bond; and

WHEREAS, the Issuer desires to appoint, and by the Resolution and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Resolution 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 the Paying Agent and Registrar, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver the Notes upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bond from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Paying Agent and 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, from time to time, reasonable compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement the provisions of the Resolution with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Resolution, the terms of the Resolution 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 Resolution 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 sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Chelyan Public Service District
Attention: Chairperson
P.O. Box 8
Cabin Creek, WV 25035

REGISTRAR: The City National Bank of West Virginia
Attention: Jody M. DeWees
3601 MacCorkle Ave., SE
Charleston, WV 25304

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bond in accordance with the Resolution and instructions provided by the Issuer and the Purchaser thereof.

IN WITNESS WHEREOF, CHELYAN PUBLIC SERVICE DISTRICT and THE CITY NATIONAL BANK OF WEST VIRGINIA have caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day, month and year first above-written.

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Chairperson

THE CITY NATIONAL BANK OF WEST VIRGINIA

By: Judy M. DeWeese
Assistant Vice President and Trust Officer

Exhibit A

See Resolution (Tab No. 7)

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

The City National Bank of West Virginia, at its office located in Charleston, Kanawha County, West Virginia, hereby accepts appointment as Depository Bank in connection with a Resolution of Chelyan Public Service District (the "District") duly adopted by the Public Service Board of the District (the "Board") and effective on February 22, 2002 (the "Resolution"), authorizing issuance of Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), dated June 4, 2002, in the aggregate principal amount of $3,118,574, and agrees to perform all duties of Depository Bank as set forth in the Resolution.

Witness my signature as of the 4th day of June, 2002.

THE CITY NATIONAL BANK OF WEST VIRGINIA

By: Judy M. DeWees
Assistant Vice President and Trust Officer

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND
(WEST VIRGINIA INFRASTRUCTURE FUND)
SERIES 2002

ACCEPTANCE OF DUTIES OF REGISTRAR

The City National Bank of West Virginia, at its office located in Charleston, Kanawha County, West Virginia, hereby accepts appointment as Registrar in connection with a Resolution of Chelyan Public Service District (the "District") duly adopted by the Public Service Board of the District (the "Board") and effective on February 22, 2002 (the "Resolution"), authorizing issuance of Chelyan Public Service District, Sewer Revenue Bond (West Virginia Infrastructure Fund), Series 2002, dated June 4, 2002, in the aggregate principal amount of $3,118,574, and agrees to perform all duties of Registrar as set forth in the Resolution.

Witness my signature as of the 4th day of June, 2002.

THE CITY NATIONAL BANK OF WEST VIRGINIA

By: Jody M. Dewees
Assistant Vice President and Trust Officer

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

REQUEST AND AUTHORIZATION WITH RESPECT TO
AUTHENTICATION AND DELIVERY OF THE BONDS

June 4, 2002

The City National Bank of West Virginia
3601 MacCorkle Ave., SE
Charleston, WV 25304
Attention: Trust Department

Ladies and Gentlemen:

We herewith hand to you, duly executed, $3,118,574 in aggregate principal amount of Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund) (the "Bond"), issued by the Chelyan Public Service District (the "Issuer"), authorized to be issued under and pursuant to the Bond Resolution adopted on February 22, 2002 (the "Bond Resolution"). Other defined terms herein shall have the meanings respectively given such terms in the Bond Resolution.

You have received all the documents required to be filed with you pursuant to the Bond Resolution.

You are hereby requested and authorized to authenticate and deliver the Bond on behalf of the Issuer to the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, as the Purchaser of the Bond, upon payment to you of $162,837, being a portion of the purchase price of $3,118,574. The balance of the principal amount of the Bond will be advanced to the Issuer as the construction of the Project progresses.

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Chairperson

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF REGISTRATION OF BOND

I, Jody M. DeWees, as Assistant Vice President and Trust Officer, of The City National Bank of West Virginia, Charleston, West Virginia, as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the Chelyan Public Service District (the "District") dated as of the date hereof, hereby certify that on the 4th day of June, 2002, the Bond of the District in the principal amount of $3,118,574 designated "Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund)", and numbered R-1, dated as of the date hereof, was registered as to principal only in the name of "West Virginia Water Development Authority" on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 4th day of June, 2002.

THE CITY NATIONAL BANK OF WEST VIRGINIA,
as Registrar

By: Jody M. DeWees
Assistant Vice President and Trust Officer

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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 9th day of June, 1999.

CASE NO.98-0639-PSD-CN

CHELYAN PUBLIC SERVICE DISTRICT,
a public utility,
Application for a certificate of convenience and necessity to construct a sewer line extension to serve certain residents along the Cabin Creek area of Kanawha County.

COMMISSION ORDER

On December 28, 1998, the Chelyan Public Service District (District), a public utility, filed an application for a certificate of convenience and necessity to construct a sewer line extension to serve certain residents along the Cabin Creek area of Kanawha County, West Virginia. The proposed extension will begin at the terminus of the District's existing system at or near Shelton's Market on Cabin Creek and includes the communities of Dry Branch, Ronda, Sharon, Miami and Dawes, all being within the boundaries of the District. The proposed project will encompass approximately 615 residences, 20 commercial establishments, 1 industrial customer, 1 institutional customer, 1 medical facility and 12 churches. The proposed project will consist of the construction of approximately 70,000 feet of sanitary sewer collection lines, 7 pumping stations and 2 grinder pumping stations.

The District estimated that construction will cost approximately $5,668,000.00, to be funded as follows: a Small Cities Block Grant in the amount of $1,250,000.00; a Kanawha County Commission Grant in the amount of $1,175,000.00; a Governor's Office of Economic and Community Development Grant in the amount of $1,035,000.00; a West Virginia State Revolving Fund (SRF) Loan in the amount of $2,118,000.00; and a West Virginia Infrastructure and Jobs Development Council (WVIJDC) Loan in the amount of $90,000.00.

The proposed project was opened for bids on April 16, 1999. As a result, the bids received came in at approximately $400,000.00 over the estimated construction cost of $5,688,000.00.

On June 3, 1999, the District filed a letter from Mike Johnson, P.E., Assistant Chief, Construction Assistance, West Virginia Division of Environmental Protection (WVDEP), to Joyce McPhail, Chairperson of the District. The letter indicated that the WVDEP has instructed the West Virginia Water Development Authority to send the District a standard Loan Agreement for $2,118,000.00, at an interest rate of 0% for 20 years, with a 1% annual administrative fee. However, according to Mr. Johnson's letter, the Loan Agreement will include the following special condition:

This bond shall be converted to a 30 year debt service amortization based upon an increased amount of $2,518,000.00 at a 0% interest rate and a 0.5% annual administrative fee after receipt of a certificate from the Secretary of State's Office (approving the State Revolving Fund emergency regulation filing) and the execution of a Bond Purchase Agreement by the Chelyan Public Service District.

Subsequently, on June 7, 1999, the District filed a letter from James D. Williams of the WVIJDC, which indicated that "[i]n the event the District is ready to close the Project financing prior to implementation of the [Clean Water State Revolving Fund] [(CWRF)] extended loan program, the [WVIJDC] has agreed to provide to the District a bond anticipation note of up to $400,000 with terms and conditions that the bond anticipation note would be canceled immediately upon the issuance of the extended CWRF bond."

According to the District's application, the proposed sewer line extension is a public health necessity. There have been numerous cases of encephalitis within the proposed service area, which has created a significant health hazard to the general public. Additionally, many of the septic systems servicing the individual residences are ineffective and are discharging untreated sewage directly into nearby creeks and streams. Application, p.2.

In a Notice of Filing entered December 28, 1998, the District was ordered to give notice of the filing of its certificate application, by publishing a copy of the Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Kanawha County.

On January 12, 1999, the District filed an Affidavit of Publication, indicating that the required Notice of Filing was duly published in

Division of Environmental Protection (WVDEP), to Joyce McPhail, Chairperson of the District. The letter indicated that the WVDEP has instructed the West Virginia Water Development Authority to send the District

a standard Loan Agreement for $2,118,000.00, at an interest rate of 0% for 20 years, with a 1% annual administrative fee. However, according to Mr. Johnson's letter, the Loan Agreement will include the following special condition:

This bond shall be converted to a 30 year debt service amortization based upon an increased amount of $2,518,000.00 at a 0% interest rate and a 0.5% annual administrative fee after receipt of a certificate from the Secretary of State's Office (approving the State Revolving Fund emergency regulation filing) and the execution of a Bond Purchase Agreement by the Chelyan Public Service District.

6. Subsequently, on June 7, 1999, the District filed a letter from James D. Williams of the WVIJDC, which indicated that "[i]n the event the District is ready to close the Project financing prior to implementation of the [Clean Water State Revolving Fund] [(CWSRF)] extended loan program, the [WVIJDC] has agreed to provide to the District a bond anticipation note of up to $400,000 with terms and conditions that the bond anticipation note would be canceled immediately upon the issuance of the extended CWSRF bond."

7. The proposed sewer line extension is a public health necessity. There have been numerous cases of encephalitis within the proposed service area, which has created a significant health hazard to the general public. Additionally, many of the septic systems servicing the individual residences are ineffective and are discharging untreated sewage directly into nearby creeks and streams. Application, p.2.

8. In a Notice of Filing entered December 28, 1998, the District was ordered to give notice of the filing of its certificate application, by publishing a copy of the Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Kanawha County.

9. On January 12, 1999, the District filed an Affidavit of Publication, indicating that the required Notice of Filing was duly published in the Charleston Daily Mail on January 4, 1999.

10. In light of the numerous protests that were filed in response to the Notice of Filing, the Commission scheduled both a public and evidentiary hearing in this matter. See Commission Order, February 23, 1999, and Commission Order Rescheduling Hearing, March 3, 1999. A Notice of Hearing was duly published in The Charleston Gazette newspaper on March 10, 1999, as evidenced by the Affidavit of Publication filed by the District on March 16, 1999.

11. In a Final Joint Staff Memorandum filed March 12, 1999, Commission Staff opined that the plans and specifications of the proposed sewer line extension do not conflict with the Commission's rules and regulations. Commission Staff further indicated that the District has received the necessary approval from the WVDEP, which Staff accepts as evidence that the proposed project has been designed pursuant to current engineering practice.

12. Commission Staff recommended that the Commission grant the District's application for a certificate of convenience and necessity for the proposed sewer line extension project and approve the proposed financing. Commission Staff further recommended that the Commission approve the District's proposed tariff. Finally, Commission Staff recommended that the District be required to seek Commission approval in the event there are any changes in the scope and/or financing of the project.

13. A public hearing was conducted on April 13, 1999, at 7:00 p.m., at the Chelyan Elementary School, 15023 MacCorkle Avenue, Chelyan, West Virginia and an evidentiary hearing was conducted on April 14, 1999, at 9:30 a.m., in the Howard M. Cunningham Hearing Room at the Commission, 201 Brooks Street, Charleston, West Virginia.

14. At the public hearing conducted on April 13, 1999, numerous protestors appeared and were heard by the Commission concerning the proposed sewer line extension. Additionally, representatives from the District, its engineer, accountant and a representative from the WVDEP, as well as Commission Staff, among others, also appeared and spoke on behalf of the project.

15. At the evidentiary hearing conducted on April 14, 1999, the Commission heard testimony concerning the plans and specifications of the project. Testimony was also presented with regard to the fact that the particular design selected for the project was, according to the engineers hired by the District, the most cost-effective, as well as the fact that the selected design was the most environmentally-sound design considered by the District and its engineers. Tr. 53-65 .

CONCLUSIONS OF LAW

1. The Commission will grant the District's application for a certificate of convenience and necessity.

2. The Commission will approve the proposed funding for the sewer line extension project, as hereinabove described.

3. The Commission will approve the District's proposed tariff, attached hereto as "Appendix A."

amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Disconnect for Non-Payment

Service shall be disconnected for non-payment of sewer bill as provided by Rule 4.05 of the Rules and Regulations for the Government of Sewer Utilities.

Water Disconnect-Reconnect Fees

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $20.00 shall be charged.

Sludge Treatment

$0.04 per gallon

Tap Fee

$250.00

Service Connection Charge

(1) Service Connection Inspection Fee -$25.00

To apply before the completion of the system, completion date to be designated for the various segments of the sewer collector system by the consulting engineer. It is required that this $25.00 charge be paid before the collector sewer line is laid and covered in order that the contractor can install the sewer lateral to the user's adjacent property line.

(2) Service Connection Fee - $150.00

To apply where an opening must be made by the District in said District's collector sewer, and service line laid from such opening to owner's property line.

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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 9th day of June, 1999.

CASE NO.98-0639-PSD-CN

CHELYAN PUBLIC SERVICE DISTRICT,
a public utility,
Application for a certificate of convenience
and necessity to construct a sewer line
extension to serve certain residents along the
Cabin Creek area of Kanawha County.

COMMISSION ORDER

On December 28, 1998, the Chelyan Public Service District (District), a public utility, filed an application for a certificate of convenience and necessity to construct a sewer line extension to serve certain residents along the Cabin Creek area of Kanawha County, West Virginia. The proposed extension will begin at the terminus of the District's existing system at or near Shelton's Market on Cabin Creek and includes the communities of Dry Branch, Ronda, Sharon, Miami and Dawes, all being within the boundaries of the District. The proposed project will encompass approximately 615 residences, 20 commercial establishments, 1 industrial customer, 1 institutional customer, 1 medical facility and 12 churches. The proposed project will consist of the construction of approximately 70,000 feet of sanitary sewer collection lines, 7 pumping stations and 2 grinder pumping stations.

The District estimated that construction will cost approximately $5,668,000.00, to be funded as follows: a Small Cities Block Grant in the amount of $1,250,000.00; a Kanawha County Commission Grant in the amount of $1,175,000.00; a Governor's Office of Economic and Community Development Grant in the amount of $1,035,000.00; a West Virginia State Revolving Fund (SRF) Loan in the amount of $2,118,000.00; and a West Virginia Infrastructure and Jobs Development Council (WVIJDC) Loan in the amount of $90,000.00.

The proposed project was opened for bids on April 16, 1999. As a result, the bids received came in at approximately $400,000.00 over the estimated construction cost of $5,688,000.00.

On June 3, 1999, the District filed a letter from Mike Johnson, P.E., Assistant Chief, Construction Assistance, West Virginia Division of Environmental Protection (WVDEP), to Joyce McPhail, Chairperson of the District. The letter indicated that the WVDEP has instructed the West Virginia Water Development Authority to send the District a standard Loan Agreement for $2,118,000.00, at an interest rate of 0% for 20 years, with a 1% annual administrative fee. However, according to Mr. Johnson's letter, the Loan Agreement will include the following special condition:

This bond shall be converted to a 30 year debt service amortization based upon an increased amount of $2,518,000.00 at a 0% interest rate and a 0.5% annual administrative fee after receipt of a certificate from the Secretary of State's Office (approving the State Revolving Fund emergency regulation filing) and the execution of a Bond Purchase Agreement by the Chelyan Public Service District.

Subsequently, on June 7, 1999, the District filed a letter from James D. Williams of the WVIJDC, which indicated that "[i]n the event the District is ready to close the Project financing prior to implementation of the [Clean Water State Revolving Fund] [(CWRF)] extended loan program, the [WVIJDC] has agreed to provide to the District a bond anticipation note of up to $400,000 with terms and conditions that the bond anticipation note would be canceled immediately upon the issuance of the extended CWRF bond."

According to the District's application, the proposed sewer line extension is a public health necessity. There have been numerous cases of encephalitis within the proposed service area, which has created a significant health hazard to the general public. Additionally, many of the septic systems servicing the individual residences are ineffective and are discharging untreated sewage directly into nearby creeks and streams. Application, p.2.

In a Notice of Filing entered December 28, 1998, the District was ordered to give notice of the filing of its certificate application, by publishing a copy of the Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Kanawha County.

On January 12, 1999, the District filed an Affidavit of Publication, indicating that the required Notice of Filing was duly published in

the Charleston Daily Mail on January 4, 1999.

In light of the numerous protests that were filed in response to the Notice of Filing, the Commission scheduled both a public and evidentiary hearing in this matter. See Commission Order, February 23, 1999, and Commission Order Rescheduling Hearing,

March 3, 1999. A Notice of Hearing was duly published in The Charleston Gazette on March 10, 1999, as evidenced by the Affidavit of Publication filed by the District on March 16, 1999.

In a Final Joint Staff Memorandum filed March 12, 1999, Commission Staff opined that the plans and specifications of the proposed sewer line extension do not conflict with the Commission's rules and regulations. Commission Staff further indicated that the District has received the necessary approval from the WVDEP, which Staff accepts as evidence that the proposed project has been designed pursuant to current engineering practice.

Commission Staff recommended that the Commission grant the District's application for a certificate of convenience and necessity for the proposed sewer line extension and approve the proposed financing. Commission Staff further recommended that the Commission approve the District's proposed tariff. Finally, Commission Staff recommended that the District be required to seek Commission approval in the event there are any changes in the scope and/or financing of the project.

A public hearing was conducted on April 13, 1999, at 7:00 p.m., at the Chelyan Elementary School, 15023 MacCorkle Avenue, Chelyan, West Virginia and an evidentiary hearing was conducted on April 14, 1999, at 9:30 a.m., in the Howard M. Cunningham Hearing Room at the Public Service Commission, 201 Brooks Street, Charleston, West Virginia.

At the public hearing conducted on April 13, 1999, numerous protestors appeared and were heard by the Commission concerning the proposed sewer line extension. Additionally, representatives from the District, its engineer, accountant and a representative from the WVDEP, as well as Commission Staff, among others, also appeared and spoke on behalf of the project.

At the evidentiary hearing conducted on April 14, 1999, the Commission heard testimony concerning the plans and specifications of the project. Testimony was also presented with regard to the fact that the particular design selected for the project was, according to the engineers hired by the District, the most cost-effective, as well as the fact that the selected design was the most environmentally-sound design considered by the District and its engineers. Tr. 53-65.

DISCUSSION

The Commission is well aware of the many protests that have been filed with regard to the proposed project described herein. Indeed, the Commission duly considered the comments and objections articulated by the District's residents at the public hearing

conducted on April 13, 1999. However, the protests and objections do not outweigh the significant health risks which presently exist in the proposed service area. The Commission believes that the peril of disease, coupled with the discharge of untreated sewage into nearby creeks and streams, clearly warrant approval of the proposed project and the resulting rate increases.

Accordingly, the Commission will grant the certificate application, as well as the proposed funding, as hereinabove described. The Commission will further approve the proposed rates and charges, attached hereto as "Appendix A."

FINDINGS OF FACT

1. On December 28, 1998, the Chelyan Public Service District (District), a public utility, filed an application for a certificate of convenience and necessity to construct a sewer line extension to serve certain residents along the Cabin Creek area of Kanawha County, West Virginia. The proposed extension will begin at the terminus of the District's existing system at or near Shelton's Market on Cabin Creek and includes the communities of Dry Branch, Ronda, Sharon, Miami and Dawes, all being within the boundaries of the District.

2. The proposed project will encompass approximately 615 residences, 20 commercial establishments, 1 industrial customer, 1 institutional customer, 1 medical facility and 12 churches. The proposed project will consist of the construction of approximately 70,000 feet of sanitary sewer collection lines, 7 pumping stations and 2 grinder pumping stations.

3. The District estimated that construction will cost approximately $5,668,000.00, to be funded as follows: Small Cities Block Grant in the amount of $1,250,000.00; a Kanawha County Commission Grant in the amount of $1,175,000.00; a Governor's Office of Economic and Community Development Grant in the amount of $1,035,000.00; a West Virginia State Revolving Fund (SRF) Loan in the amount of $2,118,000.00; and a West Virginia Infrastructure and Jobs Development Council (WVIJDC) Loan in the amount of $90,000.00.

4. The proposed project was opened for bids on April 16, 1999. As a result, the bids received came in at approximately $400,000.00 over the estimated construction cost of $5,688,000.00.

5. On June 3, 1999, the District filed a letter from Mike Johnson, P.E., Assistant Chief, Construction Assistance, West Virginia

Division of Environmental Protection (WVDEP), to Joyce McPhail, Chairperson of the District. The letter indicated that the WVDEP has instructed the West Virginia Water Development Authority to send the District

a standard Loan Agreement for $2,118,000.00, at an interest rate of 0% for 20 years, with a 1% annual administrative fee. However, according to Mr. Johnson's letter, the Loan Agreement will include the following special condition:

This bond shall be converted to a 30 year debt service amortization based upon an increased amount of $2,518,000.00 at a 0% interest rate and a 0.5% annual administrative fee after receipt of a certificate from the Secretary of State's Office (approving the State Revolving Fund emergency regulation filing) and the execution of a Bond Purchase Agreement by the Chelyan Public Service District.

6. Subsequently, on June 7, 1999, the District filed a letter from James D. Williams of the WVIJDC, which indicated that "[i]n the event the District is ready to close the Project financing prior to implementation of the [Clean Water State Revolving Fund] [(CWSRF)] extended loan program, the [WVIJDC] has agreed to provide to the District a bond anticipation note of up to $400,000 with terms and conditions that the bond anticipation note would be canceled immediately upon the issuance of the extended CWSRF bond."

7. The proposed sewer line extension is a public health necessity. There have been numerous cases of encephalitis within the proposed service area, which has created a significant health hazard to the general public. Additionally, many of the septic systems servicing the individual residences are ineffective and are discharging untreated sewage directly into nearby creeks and streams. Application, p.2.

8. In a Notice of Filing entered December 28, 1998, the District was ordered to give notice of the filing of its certificate application, by publishing a copy of the Notice once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Kanawha County.

9. On January 12, 1999, the District filed an Affidavit of Publication, indicating that the required Notice of Filing was duly published in the Charleston Daily Mail on January 4, 1999.

10. In light of the numerous protests that were filed in response to the Notice of Filing, the Commission scheduled both a public and evidentiary hearing in this matter. See Commission Order, February 23, 1999, and Commission Order Rescheduling Hearing, March 3, 1999. A Notice of Hearing was duly published in The Charleston Gazette newspaper on March 10, 1999, as evidenced by the Affidavit of Publication filed by the District on March 16, 1999.

11. In a Final Joint Staff Memorandum filed March 12, 1999, Commission Staff opined that the plans and specifications of the proposed sewer line extension do not conflict with the Commission's rules and regulations. Commission Staff further indicated that the District has received the necessary approval from the WVDEP, which Staff accepts as evidence that the proposed project has been designed pursuant to current engineering practice.

12. Commission Staff recommended that the Commission grant the District's application for a certificate of convenience and necessity for the proposed sewer line extension project and approve the proposed financing. Commission Staff further recommended that the Commission approve the District's proposed tariff. Finally, Commission Staff recommended that the District be required to seek Commission approval in the event there are any changes in the scope and/or financing of the project.

13. A public hearing was conducted on April 13, 1999, at 7:00 p.m., at the Chelyan Elementary School, 15023 MacCorkle Avenue, Chelyan, West Virginia and an evidentiary hearing was conducted on April 14, 1999, at 9:30 a.m., in the Howard M. Cunningham Hearing Room at the Commission, 201 Brooks Street, Charleston, West Virginia.

14. At the public hearing conducted on April 13, 1999, numerous protestors appeared and were heard by the Commission concerning the proposed sewer line extension. Additionally, representatives from the District, its engineer, accountant and a representative from the WVDEP, as well as Commission Staff, among others, also appeared and spoke on behalf of the project.

15. At the evidentiary hearing conducted on April 14, 1999, the Commission heard testimony concerning the plans and specifications of the project. Testimony was also presented with regard to the fact that the particular design selected for the project was, according to the engineers hired by the District, the most cost-effective, as well as the fact that the selected design was the most environmentally-sound design considered by the District and its engineers. Tr. 53-65 .

CONCLUSIONS OF LAW

1. The Commission will grant the District's application for a certificate of convenience and necessity.

2. The Commission will approve the proposed funding for the sewer line extension project, as hereinabove described.

3. The Commission will approve the District's proposed tariff, attached hereto as "Appendix A."

4. The District may charge the approved rates and charges on and after the date this project is placed into service.

5. In the event the there is a change in the scope or financing of the project, the Commission will require the District to seek Commission approval of the changes before proceeding with construction.

ORDER

IT IS THEREFORE ORDERED that the application for a certificate of convenience and necessity for the sewer line extension project, filed by the Chelyan Public Service District on December 28, 1998, is hereby granted.

IT IS FURTHER ORDERED that the proposed funding for the sewer line extension project, as hereinabove described, is hereby approved.

IT IS FURTHER ORDERED that the District's proposed tariff, attached hereto as "Appendix A," is hereby approved for all service rendered on and after the date that this project is placed into service. The District shall file notice of the actual in-service date of the project, as well as a revised tariff setting forth the rates and charges approved herein, within ten (10) days of the date that the project becomes operational.

IT IS FURTHER ORDERED that, in the event there is a change scope of the project and/or financing of the project, the District is required to seek Commission approval of such changes before proceeding with construction.

IT IS FURTHER ORDERED this case is hereby resolved and shall be removed from the Commission's docket of active cases.

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 the Commission Staff by hand delivery.

ARC
MSB/lfg
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Appendix A

CHELYAN PUBLIC SERVICE DISTRICT
Case No. 98-0638-PSD-CN

Tariff

Applicability
Applicable to all of the District and where extended.

Availability of Service
Available for sanitary sewer service.

Rates (Based on water consumption or metered waste placed in the sewer system).

First 2,000 gallons per month	$ 6.87 per 1,000 gallons
Next 1,000 gallons per month	$ 6.46 per 1,000 gallons
Next 17,000 gallons per month	$ 4.85 per 1,000 gallons
Next 80,000 gallons per month	$ 4.02 per 1,000 gallons
All over 100,000 gallons per month	$ 3.22 per 1,000 gallons

Minimum Charge
No bill will be rendered for less than $13.74 per month.

Non-Metered
Where the customer has no water meter or where a substantial portion of the water consumed is not metered, the monthly minimum charge shall be Twenty-Two Dollars and Sixty-Four Cents ($22.64).

Delayed Payment Penalty
The above tariff is net. On all current usage, billings not paid within twenty (20) days, ten percent (10%) will be added to net current

amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Disconnect for Non-Payment

Service shall be disconnected for non-payment of sewer bill as provided by Rule 4.05 of the Rules and Regulations for the Government of Sewer Utilities.

Water Disconnect-Reconnect Fees

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $20.00 shall be charged.

Sludge Treatment

$0.04 per gallon

Tap Fee

$250.00

Service Connection Charge

(1) Service Connection Inspection Fee -$25.00

To apply before the completion of the system, completion date to be designated for the various segments of the sewer collector system by the consulting engineer. It is required that this $25.00 charge be paid before the collector sewer line is laid and covered in order that the contractor can install the sewer lateral to the user's adjacent property line.

(2) Service Connection Fee - $150.00

To apply where an opening must be made by the District in said District's collector sewer, and service line laid from such opening to owner's property line.

010995alj041202.wpd

FINAL

04-22-02
By Commission Order

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: April 12, 2002

CASE NO. 01-0995-PSD-CN

CHELYAN PUBLIC SERVICE DISTRICT,
a public utility.
Application for a certificate of convenience and necessity to provide sanitary sewer collection and treatment services to certain areas of Giles, Ohley, Eskdale and Leewood, Kanawha County.

RECOMMENDED DECISION

On October 29, 2001, the Chelyan Public Service District (District) filed an application, duly verified, for a certificate of convenience and necessity to provide sanitary sewer collection and treatment services to certain areas of Giles, Ohley, Eskdale and Leewood, Kanawha County, West Virginia. The application is on file with and available for public inspection at the Public Service Commission.

By Order entered on October 29, 2000, Chelyan Public Service District was required to provide public notice of this application by publishing a copy of the Commission Order, once, in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Kanawha County. The notice provided that, if no public protests were timely filed in response to the published notice, the Commission would be authorized to render a decision, without a hearing, by virtue of the provisions of West Virginia Code §24-2-11.

On November 8, 2001, the Public Service Commission issued a Referral Order in this matter, referring this proceeding to the Division of Administrative Law Judges for a decision to be rendered on or before May 28, 2002.

On November 13, 2001, the District filed a letter through its attorney, H. Wyatt Hanna, III, requesting that, when Commission Staff issues its final recommendation, a provision be placed in the District's

tariff to permit it to be reimbursed for the actual cost of any certified mailings that it is required to send to its customers.

On November 19, 2001, the District filed an affidavit of publication showing that publication of the Notice of Filing was made in The Charleston Daily Mail, on November 6, 2001. The 30-day protest period expired on December 6, 2001, with no protests having been filed, either by that date or the date of this Order.

On March 29, 2002, the District, through its attorney, again requested that, whenever Commission Staff issues its final recommendation in this case, a provision be placed in the District's tariff to permit it to be reimbursed for the actual cost of any certified mailings that it is required to send to its customers.

By Order issued on April 8, 2002, Staff was directed to file a substantive recommendation on or before April 19, 2002.

On April 9, 2002, Cecelia Jarrell, Staff Attorney, filed a Final Joint Staff Memorandum, attached to which was a Final Internal Memorandum prepared by Audra L. Blackwell, Technical Analyst I, Engineering Division, and Scott McNeely, Utilities Analyst I, Water and Wastewater Division. According to Staff, the project will involve expansion of the District's existing wastewater treatment plant from 0.815 mgd to 1.63 mgd capacity. The project will consist of construction of approximately 39,300 linear feet (lf) of gravity sewers; 22,150 lf of force main; 10 grinder pump stations; 5 lift stations; 2 aeration tanks (37,501 gallons each); 2 contact stabilization tanks (83,600 gallon); 2 clarifiers (47,000 gallons); an ultraviolet disinfection unit; a garage building; and all other necessary appurtenances. The District does not intend to raise its current rates due to the proposed project.

The project is estimated to cost $7,418,574, as follows: Construction - $6,121,000; Engineering - $321,000; Land and Right-of-Ways - $100,000; Administration - $58,000; Legal - $40,000; Bond Counsel - $20,000; Accountant - $20,000; Project Contingency - $70,000; Refinance Design Note - $92,700; Refinance RUS Loan - $575,874, for a total of $7,418,574.

According to Staff, on March 21, 2002, the Commission received a copy of the District's modified National Pollutant Discharge Elimination System (NPDES) Water Pollution Control Permit (Permit No. WV0038776 Modification No. 1) dated March 7, 2002. Staff noted that the District employs one Class II Wastewater Treatment Works Operator, Mr. Sam Hope. His certificate number is WW5589. He also is a certified wastewater laboratory technician.

According to Staff, the total cost of the project is $7,418,574. The proposed project will serve approximately 368 new customers. The cost per customer is approximately $20,160. This is an extremely high cost for the provision of sewer service. The customer density for the proposed project is approximately 31 customers per mile. This is a low density for the provision of sewer service.

Public Service Commission
of West Virginia

According to Staff, the annual operation and maintenance (O&M) expenses for the proposed project are estimated to increase $121,000. The breakdown of this can be seen in the Statement A, Schedule 2 of the Rule 42 Exhibit. This increase is due mainly to a $7,500 increase in collection operation supervision and labor; a $40,500 increase in pumping operation labor and maintenance supervision; an $1,800 increase in pumping supplies and expense; a $24,000 increase for power for pumping; and a $46,000 increase in purification supplies and expenses. Finally, the O&M expenses and calculations for the estimated increase have been reviewed by Technical Staff and appear to be reasonable for the scope of the project.

Staff noted that this project is necessary, because it will provide for the public health of the community by providing a sanitary wastewater collection and treatment system within areas where many septic systems that serve individual residences are ineffective and discharge untreated sewage directly into nearby creeks and streams. There have been numerous cases of encephalitis within the proposed service area creating a significant health hazard to the general public. The proposed project will improve the living conditions of the residents.

According to Staff, the District's proposed project is estimated to cost $7,418,574 and will be financed as follows: HUD-Small Cities Block Grant-$1,500,000; Kanawha County Commission Grant-$1,050,000; Infrastructure Jobs Development Council Grant-$1,750,000; and Infrastructure Jobs Development Council Loan-$3,118,574, totaling $7,418,574.

Staff noted that the IJDC loan will be scheduled for repayment over a forty (40) year period with an interest rate of 0%. The annual debt service requirement will be $77,964. The IJDC also requires the District to fund a 10% debt reserve. The funding commitments for each piece of the financing are included in the file.

According to Staff, the District's cash flow will increase by $77,964 due to the IJDC loan. As part of the proposed project, the District will be refinancing a 1979 RUS loan which has an annual interest rate of 5%. The refinancing of this loan will save the District approximately $48,444.00 annually in debt service. The combination of the proposed IJDC loan and the refinancing of the RUS loan will leave the District with an increase in annual debt service of $29,520.00.

According to Staff, the project will extend service to approximately 368 additional customers. The Chelyan Public Service District does not anticipate having to raise its current rates to satisfy the requirements of this project. The District's rates were increased previously due to the Phase I project. The District's average bill, based on 4,500 gallons, is currently $27.48. This average bill, when distributed over the 368 new customers, will produce approximately $121,352.00 in additional annual revenues. The revenues from the project customers, combined with the additional surplus from the Phase I project are sufficient to cover the additional O&M expenses, debt service requirements and reserves associated with this project.

FINDINGS OF FACT

1. On October 29, 2001, the Cheylan Public Service District filed an application, duly verified, for a certificate of convenience and necessity to provide sanitary sewer collection and treatment services to certain areas of Giles, Ohley, Eskdale and Leewood, Kanawha County, West Virginia. (See, Application).

2. By Notice of Filing entered on October 29, 2000, the Applicant was directed to publish a Notice of Filing. (See, Order entered October 29, 2000).

3. The District filed an Affidavit of Publication showing that publication of the Notice of Filing was made in The Charleston Daily Mail on November 6, 2001. The thirty (30) day protest period expired on December 6, 2001, with no protests having been filed, either by that date or the date of this Order. (See, Affidavit of Publication received November 19, 2001; case file generally).

4. The Division of Environmental Protection has indicated its approval by issuing Permit No. WV 038776 Modification No. 1. (See, Final Joint Staff Memorandum and attachment filed April 9, 2002).

5. The total cost of the project is $7,418,574 and will be financed as follows: HUD - Small Cities Block Grant-$1,500,000; Kanawha County Commission Grant-$1,050,000; Infrastructure Jobs Development Council Grant-$1,750,000; and Infrastructure Jobs Development Council Loan-$3,118,574, totaling $7,418,574. All funding commitments have bee. received. (See, Final Joint Staff Memorandum and attachment filed April 9, 2002).

6. The project will serve areas where many septic systems that serve individual residences are ineffective and discharge untreated sewage directly into nearby creeks and streams. There have been numerous cases of encephalitis within the proposed service area creating a significant health hazard to the general public. The proposed project will improve the living conditions of the resident. (See, Final Joint Staff Memorandum filed April 9, 2002).

7. Staff is of the opinion that the project is in the public interest and it recommended that the application for a certificate of convenience and necessity be approved. (See, Final Joint Staff Memorandum filed April 9, 2002).

CONCLUSIONS OF LAW

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

2. The proposed project will provide adequate service.

3. The proposed project is adequately financed and is economically feasible.

4. Good cause has been shown to waive formal hearing in this matter, pursuant to West Virginia Code §24-2-11, since no protests have been received to the project.

5. Any changes in the scope of this project and/or funding of the project after the granting of the certificate require further approval from the Public Service Commission.

ORDER

IT IS, THEREFORE, ORDERED that the application filed on October 29, 2001, by the Cheylan Public Service District for a certificate of convenience and necessity to provide sanitary sewer collection treatment services to the areas of Giles, Ohley, Eskdale and Leewood, and environs, Kanawha County, be, and it hereby is, granted.

IT IS FURTHER ORDERED that the proposed funding for this project, consisting of a HUD - Small Cities Block Grant of $1,500,000; a Kanawha County Commission Grant of $1,050,000; an Infrastructure Jobs Development Council Grant of $1,750,000; and an Infrastructure Jobs Development Council Loan of $3,118,574, be, and it hereby is, approved.

IT IS FURTHER ORDERED that Cheylan Public Service District shall file a notice of the actual in-service date of the project within thirty (30) days from the date that the project becomes operational.

IT IS FURTHER ORDERED that, if there are any changes to the costs, scope, financing or design of the project, as certificated herein, Cheylan Public Service District shall petition the Commission for approval of such changes prior to commencing construction.

IT IS FURTHER ORDERED that formal hearing in this matter be waived, pursuant to West Virginia Code §24-2-11, for the reasons that no protests were received after publication and there remain no outstanding issues to be litigated.

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.

Miles C. Cary
Administrative Law Judge

MCC:jas
010995aa.wpd

ORIGINAL

RECEIVED
AUG 0 8 2001

West Virginia Infrastructure & Jobs Development Council

Public Members:
Russell L. Isaacs, Chairman
Cottageville
Dwight Calhoun
Petersburg
William P. Stafford, II, Esquire
Princeton

300 Summers Street, Suite980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE
Executive Secretary
KMallory@ezwv.com

August 6, 2001

Joyce McPhail, Chairman
Chelyan Public Service District
P.O. Box 8
Cabin Creek, West Virginia 25075

Re: Binding Commitment Letter
Wastewater system project
Project 97S-286 (Phase II)

Dear Ms.McPhail:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") provides this binding offer of an Infrastructure Fund loan of approximately $3,118,574 (the "Loan") and a grant of approximately $1,750,000 (the "Grant") to the Chelyan Public Service District (the "District") for the above referenced wastewater project (the "Project"). The Loan and Grant will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference. The final Loan and Grant amounts will be established after the District has received acceptable bids for the Project. The Loan and Grant agreements will be between the District and the West Virginia Water Development Authority (the "Authority"), acting on behalf of the Infrastructure Council.

This commitment is contingent upon the Project meeting the following schedule:

a. File Certificate Case with the Public Service Commission no later than September 15, 2001
b. Advertise for bids no later than January 15, 2002. (The District must receive authority from the Infrastructure Council before bidding the project.)

The Infrastructure Council reserves the right to withdraw this Loan and Grant commitment if any of the above schedule dates are not met. The Infrastructure Council may, when justifiable circumstances occur, offer to modify the schedule. Any decision to modify the schedule is at the sole discretion of the Infrastructure Council.

If the District becomes aware that it will not meet one or more of the above schedule dates, the District should immediately notify the Infrastructure Council of this fact and the circumstances which have caused or will cause the District to be unable to meet the schedule. In addition, please immediately notify the Infrastructure Council if any of the other dates on the attached schedule have or will not be met.

The Authority will enter into Loan and Grant agreements with the District following receipt of the completed Schedule B, a final, nonappealable order from the Public Service Commission authorizing construction of the Project, evidence of binding commitments for other funding; evidence of all permits; evidence of acceptable bids; and any other documents requested by the Infrastructure Council.

No statements or representations made before or after the issuance of this contingent commitment by any person, member of the Infrastructure Council, or agent or employee of the Authority shall be construed as approval to alter or amend this commitment, as all such amendments or alterations shall only be made in writing after approval of the Infrastructure Council.

If the District has any questions regarding this commitment, please contact Katy Mallory at the above-referenced telephone number.

Sincerely,

Russell L. Isaacs

RLI/km
Attachments
cc: Samme Gee, Jackson & Kelly
Wyatt Hanna, Hanna and Bonham
Mike Johnson, DEP
Todd Dingess, Smith Cochran & Hicks
Ashok Sanghavi, S&S Engineers
Dave Bostic

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return one to the Authority at 180 Association Drive, Charleston, WV 25311-1571, and one to the Infrastructure Council.

Chelyan Public Service District

By: Joyce McPhail

Its: _____

Date: 8/14/01

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Chelyan Public Service District
Wastewater Project
Project 97S-286 (Phase II)
August 6, 2001

SCHEDULE A

A. Approximate Amount: $3,118,574 Loan
$1,750,000 Grant

B. Loan: $3,118,574

1. Maturity Date: 40 years from date of closing.
2. Interest Rate: 0%
3. Loan Advancement Date(s) Monthly, upon receipt of proper requisition
4. Debt Service Commencement: The first quarter following completion of construction, which date must be identified prior to closing.
5. Special Conditions: None

C. Grant: $1,750,000

1. Grant Advancement Date(s): Monthly, upon receipt of proper requisition and after complete advancement of all other funding, except to the extent that the Infrastructure Fund grant is needed to pay project costs not eligible for payment by the other funding programs.

2. Special Conditions: None

NOTICE: The terms set forth above are subject to change following the receipt of construction bids.

D. Other Funding Sources:

Small Cities Block Grant	$1,500,000
Kanawha County Commission	$1,050,000

E. Total Project Cost: $7,418,574

F. Uses of Funds

1.	Construction Project	$6,750,000
2.	Pay off RUS loan	$ 575,874*
3.	Pay off design note	$ 92,700
	Total	$7,418,574

*Kanawha County Commission funds are to be used to repay the RUS loan

G. Current & Proposed User Rates: $27.48 / 4500 gallons

Project Schedule

Project:	Chelyan PSD	IJDC loan	$ 538,000
County:	Kanawha	IJDC grant	$1,750,000
Project Number:	97S-286 (Phase II)	Kanawha County	$1,050,000
		SCBG	$1,500,000
		Total:	$7,418,574

Action	Responsible Party	Start	Completion
Engineering Agreement	PSD / S&S	complete	complete
Prepare & Submit Plans & Specs to DEP/BPH	S&S	DEP approved contracts 3 & 4. Comments on contract 5 to be resolved	September 1, 2001
Plans & Specs. Review & Approval	DEP / BPH	September 1, 2001	October 1, 2001
Prepare & submit permit applications	S&S	complete	complete
Prepare Rule 42	Todd Dingess	complete	complete
Pre-file w/ PSC (PSD only)	Wyatt Hanna	complete	complete
File Certificate Case with PSC	Wyatt Hanna		September 15, 2001
Review & Approve PSC Certificate	PSC	September 15, 2001	March 15, 2002
Rights-of-way, Easements & Land Acquisition	S&S/ ROW agent / Wyatt Hanna	started - approximately 60 acquired to date	September 30, 2001
Authority to Advertise	IJDC		January 10, 2002
Advertise for Bids	S&S / PSD		January 14, 2002
Bid Opening	PSD / S&S		February 14, 2002
Loan Closing	PSD / Bond Counsel		May 14, 2002
Start Construction	S&S / Contractor	May 2002	May 2003

WV MUNICIPAL BOND COMMISSION
8 Capitol Street, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: June 3, 2002
(See Reverse for Instructions)

ISSUE: Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund)
ADDRESS: P.O. Box 8
Cabin Creek, WV 25035 COUNTY: Kanawha
PURPOSE: New Money X
OF ISSUE: Refunding ___ Refunds issue dated: N/A
ISSUE DATE: June 4, 2002 CLOSING DATE: June 4, 2002
ISSUE AMOUNT: $3,118,574 RATE: 0.00%
1ST DEBT SERVICE DUE: March 1, 2004 1ST PRINCIPAL DUE: March 1, 2004
1ST DEBT SERVICE AMT.:$20,250.49 PAYING AGENT: Municipal Bond Comm.

BOND COUNSEL: Goodwin & Goodwin, LLP
Contact Person: W.K. Bragg, Jr.
Phone 346-7000

LENDER: West Virginia Infrastructure and Jobs Development Council
Contact Person: Katy Mallory
Phone: (304) 558-4607

KNOWLEDGEABLE ISSUER CONTACT:
Contact Person: Joyce L. McPhail
Position: Chairwoman
Phone: (304) 595-2203

----------DEPOSITS TO MBC AT CLOSE:----------

___ Accrued Interest: $ 0
___ Capitalized Interest: $ 0
By ___ Wire ___ Reserve Account: $ 0
___ Check ___ Other: _____ $ _____

----------REFUNDS & TRANSFERS BY MBC AT CLOSE:----------

___ To Escrow Trustee: $ N/A
By X Wire ___ To Issuer: $ N/A
___ Check ___ To Cons. Invest. Fund:$ N/A
___ IGT X Other: Payoff 1998 Note: $92,700

Notes: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

WDA CONSENT TO ISSUANCE OF PARITY BOND AND PARITY LIEN

West Virginia Water Development Authority (the "Authority") represents that it is the sole and only registered owner of the Chelyan Public Service District, Sewerage System Revenue Bonds, Series 1994 A and 1994 B, issued in the original principal amounts of $1,023,500 and $175,276, respectively, authorized by a Bond Resolution adopted on April 18, 1994, Sewerage System Revenue Bonds, Series 1995 A, issued in the original principal amount of $634,000, authorized by a Bond Resolution adopted on June 28, 1995, and Sewerage System Revenue Bonds, Series 1999 A (West Virginia SRF Extended Bond Purchase Program), issued in the original principal amount of $2,518,000, authorized by a Bond Resolution adopted on July 8, 1999 (collectively, the "Prior Bonds").

In reliance upon the certificate of the Issuer's certified public accountant, Smith, Cochran & Hicks, P.L.L.C., stating that the parity and coverage requirements have been met, the Authority hereby consents to the issuance by the Chelyan Public Service District, Cabin Creek, West Virginia (the "Issuer"), of the above-captioned bond, in the amount of $3,118,574 (the "Series 2002 Bond"), to be sold to the West Virginia Water Development Authority, for the benefit of the West Virginia Infrastructure and Jobs Development Council, on parity with respect to liens, pledge and source of and security for payment with the Prior Bonds.

By the execution of this consent, the undersigned hereby certifies that he or she is fully empowered and authorized to execute this consent on behalf of the Authority.

WITNESS my signature as of the 4th day of June, 2002.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: _____
Director

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

SPECIMEN

No. R-1

$3,118,574

KNOW ALL MEN BY THESE PRESENTS: That the CHELYAN PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Kanawha County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of THREE MILLION ONE HUNDRED EIGHTEEN THOUSAND FIVE HUNDRED SEVENTY-FOUR DOLLARS ($3,118,574), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference. Principal of this Bond is payable in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2004, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.

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

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

This Bond is issued (i) to pay in full the Issuer's Sewer System Design Notes, Series 1998; (ii) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (iii) to pay certain costs of issuance hereof and related costs. The existing sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto are herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the Code of West Virginia of 1931, as amended (collectively, the "Act"), a Resolution duly adopted by the Issuer and effective on February 22, 2002, and a Supplemental Resolution duly adopted by the Issuer on May 29, 2002 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds

would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Resolution.

SPECIMEN

THIS BOND IS ISSUED ON PARITY AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,023,500, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $175,276, SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $634,000, AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 A (WEST VIRGINIA SRF EXTENDED BOND PURCHASE PROGRAM), ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $2,518,000 (COLLECTIVELY, THE "PRIOR BONDS").

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 parity with the pledge of Net Revenues in favor of the Prior Bonds, and from moneys in the Reserve Account created under the Resolution for this Bond (the "Series 2002 Bond Reserve Account") and unexpended proceeds of this Bond. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all Bonds that 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, if any, except from said special fund provided from the Net Revenues, the moneys in the Series 2002 Bond Reserve Account and unexpended proceeds of this Bond. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest, if any, on this Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such Net Revenues on parity with this Bond, provided however, that so long as there exists in the Series 2002 Bond Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on this Bond in the then current or any succeeding year and in the reserve accounts established for any other obligations outstanding on parity with this Bond, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of this Bond for the terms of which reference is made to the Resolution. Remedies provided the registered owners of this Bond are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and upon 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 Resolution, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

This Bond 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, CHELYAN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed and attested by its Secretary and has caused this Bond to be dated June 4, 2002.

CHELYAN PUBLIC SERVICE DISTRICT

SPECIMEN

By: Joyce McPhail
Chairperson

[SEAL]

ATTEST:

Samuel L. Shelton
Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 2002 Bond described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 4, 2002

THE CITY NATIONAL BANK OF WEST VIRGINIA,
as Registrar

By: _____
Assistant Vice President and Trust Officer

SPECIMEN

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $162,837	6/4/02	(13) $	
(2) $		(14) $	
(3) $		(15) $	
(4) $		(16) $	
(5) $		(17) $	
(6) $		(18) $	
(7) $		(19) $	
(8) $		(20) $	
(9) $		(21) $	
(10) $		(22) $	
(11) $		(23) $	
(12) $		(24) $	
		TOTAL $	

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2002	-	-	-
12/01/2002	-	-	-
3/01/2003	-	-	-
6/01/2003	-	-	-
9/01/2003	-	-	-
12/01/2003	-	-	-
3/01/2004	20,250.49	-	20,250.49
6/01/2004	20,250.49	-	20,250.49
9/01/2004	20,250.49	-	20,250.49
12/01/2004	20,250.49	-	20,250.49
3/01/2005	20,250.49	-	20,250.49
6/01/2005	20,250.49	-	20,250.49
9/01/2005	20,250.49	-	20,250.49
12/01/2005	20,250.49	-	20,250.49
3/01/2006	20,250.48	-	20,250.48
6/01/2006	20,250.48	-	20,250.48
9/01/2006	20,250.48	-	20,250.48
12/01/2006	20,250.48	-	20,250.48
3/01/2007	20,250.48	-	20,250.48
6/01/2007	20,250.48	-	20,250.48
9/01/2007	20,250.48	-	20,250.48
12/01/2007	20,250.48	-	20,250.48
3/01/2008	20,250.48	-	20,250.48
6/01/2008	20,250.48	-	20,250.48
9/01/2008	20,250.48	-	20,250.48
12/01/2008	20,250.48	-	20,250.48
3/01/2009	20,250.48	-	20,250.48
6/01/2009	20,250.48	-	20,250.48
9/01/2009	20,250.48	-	20,250.48
12/01/2009	20,250.48	-	20,250.48
3/01/2010	20,250.48	-	20,250.48
6/01/2010	20,250.48	-	20,250.48
9/01/2010	20,250.48	-	20,250.48
12/01/2010	20,250.48	-	20,250.48
3/01/2011	20,250.48	-	20,250.48
6/01/2011	20,250.48	-	20,250.48
9/01/2011	20,250.48	-	20,250.48
12/01/2011	20,250.48	-	20,250.48
3/01/2012	20,250.48	-	20,250.48
6/01/2012	20,250.48	-	20,250.48
9/01/2012	20,250.48	-	20,250.48
12/01/2012	20,250.48	-	20,250.48
3/01/2013	20,250.48	-	20,250.48
6/01/2013	20,250.48	-	20,250.48
9/01/2013	20,250.48	-	20,250.48
12/01/2013	20,250.48	-	20,250.48
3/01/2014	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2014	20,250.48	-	20,250.48
9/01/2014	20,250.48	-	20,250.48
12/01/2014	20,250.48	-	20,250.48
3/01/2015	20,250.48	-	20,250.48
6/01/2015	20,250.48	-	20,250.48
9/01/2015	20,250.48	-	20,250.48
12/01/2015	20,250.48	-	20,250.48
3/01/2016	20,250.48	-	20,250.48
6/01/2016	20,250.48	-	20,250.48
9/01/2016	20,250.48	-	20,250.48
12/01/2016	20,250.48	-	20,250.48
3/01/2017	20,250.48	-	20,250.48
6/01/2017	20,250.48	-	20,250.48
9/01/2017	20,250.48	-	20,250.48
12/01/2017	20,250.48	-	20,250.48
3/01/2018	20,250.48	-	20,250.48
6/01/2018	20,250.48	-	20,250.48
9/01/2018	20,250.48	-	20,250.48
12/01/2018	20,250.48	-	20,250.48
3/01/2019	20,250.48	-	20,250.48
6/01/2019	20,250.48	-	20,250.48
9/01/2019	20,250.48	-	20,250.48
12/01/2019	20,250.48	-	20,250.48
3/01/2020	20,250.48	-	20,250.48
6/01/2020	20,250.48	-	20,250.48
9/01/2020	20,250.48	-	20,250.48
12/01/2020	20,250.48	-	20,250.48
3/01/2021	20,250.48	-	20,250.48
6/01/2021	20,250.48	-	20,250.48
9/01/2021	20,250.48	-	20,250.48
12/01/2021	20,250.48	-	20,250.48
3/01/2022	20,250.48	-	20,250.48
6/01/2022	20,250.48	-	20,250.48
9/01/2022	20,250.48	-	20,250.48
12/01/2022	20,250.48	-	20,250.48
3/01/2023	20,250.48	-	20,250.48
6/01/2023	20,250.48	-	20,250.48
9/01/2023	20,250.48	-	20,250.48
12/01/2023	20,250.48	-	20,250.48
3/01/2024	20,250.48	-	20,250.48
6/01/2024	20,250.48	-	20,250.48
9/01/2024	20,250.48	-	20,250.48
12/01/2024	20,250.48	-	20,250.48
3/01/2025	20,250.48	-	20,250.48
6/01/2025	20,250.48	-	20,250.48
9/01/2025	20,250.48	-	20,250.48
12/01/2025	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2026	20,250.48	-	20,250.48
6/01/2026	20,250.48	-	20,250.48
9/01/2026	20,250.48	-	20,250.48
12/01/2026	20,250.48	-	20,250.48
3/01/2027	20,250.48	-	20,250.48
6/01/2027	20,250.48	-	20,250.48
9/01/2027	20,250.48	-	20,250.48
12/01/2027	20,250.48	-	20,250.48
3/01/2028	20,250.48	-	20,250.48
6/01/2028	20,250.48	-	20,250.48
9/01/2028	20,250.48	-	20,250.48
12/01/2028	20,250.48	-	20,250.48
3/01/2029	20,250.48	-	20,250.48
6/01/2029	20,250.48	-	20,250.48
9/01/2029	20,250.48	-	20,250.48
12/01/2029	20,250.48	-	20,250.48
3/01/2030	20,250.48	-	20,250.48
6/01/2030	20,250.48	-	20,250.48
9/01/2030	20,250.48	-	20,250.48
12/01/2030	20,250.48	-	20,250.48
3/01/2031	20,250.48	-	20,250.48
6/01/2031	20,250.48	-	20,250.48
9/01/2031	20,250.48	-	20,250.48
12/01/2031	20,250.48	-	20,250.48
3/01/2032	20,250.48	-	20,250.48
6/01/2032	20,250.48	-	20,250.48
9/01/2032	20,250.48	-	20,250.48
12/01/2032	20,250.48	-	20,250.48
3/01/2033	20,250.48	-	20,250.48
6/01/2033	20,250.48	-	20,250.48
9/01/2033	20,250.48	-	20,250.48
12/01/2033	20,250.48	-	20,250.48
3/01/2034	20,250.48	-	20,250.48
6/01/2034	20,250.48	-	20,250.48
9/01/2034	20,250.48	-	20,250.48
12/01/2034	20,250.48	-	20,250.48
3/01/2035	20,250.48	-	20,250.48
6/01/2035	20,250.48	-	20,250.48
9/01/2035	20,250.48	-	20,250.48
12/01/2035	20,250.48	-	20,250.48
3/01/2036	20,250.48	-	20,250.48
6/01/2036	20,250.48	-	20,250.48
9/01/2036	20,250.48	-	20,250.48
12/01/2036	20,250.48	-	20,250.48
3/01/2037	20,250.48	-	20,250.48
6/01/2037	20,250.48	-	20,250.48
9/01/2037	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2037	20,250.48	-	20,250.48
3/01/2038	20,250.48	-	20,250.48
6/01/2038	20,250.48	-	20,250.48
9/01/2038	20,250.48	-	20,250.48
12/01/2038	20,250.48	-	20,250.48
3/01/2039	20,250.48	-	20,250.48
6/01/2039	20,250.48	-	20,250.48
9/01/2039	20,250.48	-	20,250.48
12/01/2039	20,250.48	-	20,250.48
3/01/2040	20,250.48	-	20,250.48
6/01/2040	20,250.48	-	20,250.48
9/01/2040	20,250.48	-	20,250.48
12/01/2040	20,250.48	-	20,250.48
3/01/2041	20,250.48	-	20,250.48
6/01/2041	20,250.48	-	20,250.48
9/01/2041	20,250.48	-	20,250.48
12/01/2041	20,250.48	-	20,250.48
3/01/2042	20,250.48	-	20,250.48
6/01/2042	20,250.48	-	20,250.48
Total	**3,118,574.00**	**-**	**3,118,574.00**

YIELD STATISTICS

Bond Year Dollars	$65,074.24
Average Life	20.867 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	2.01E-10
Bond Yield for Arbitrage Purposes	2.01E-10
All Inclusive Cost (AIC)	2.01E-10

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	20.867 Years

ASSIGNMENT

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

SPECIMEN

Dated: _____, 20__.

_____
(Assignor)

Witnessed in the presence of:

_____

Hanna & Page

ATTORNEYS AT LAW

H. Wyatt Hanna, III **Alva Page III**

512 D STREET • P.O. BOX 8070 • SOUTH CHARLESTON, WEST VIRGINIA 25303

(304) 744-3150 • FAX (304) 744-3157

June 4, 2002

Chelyan Public Service District
Cabin Creek, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Goodwin & Goodwin, LLP
Charleston, West Virginia

Re: Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

I am counsel to Chelyan Public Service District (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Goodwin & Goodwin, LLP, as bond counsel, relating to the above-captioned bond of the Issuer (the "Bond"), a loan agreement for the Bond, dated June 4, 2002, 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"), a Bond Resolution duly adopted by the Public Service Board of the Issuer (the "Board") on February 22, 2002, as supplemented by a Supplemental Resolution duly adopted on May 29, 2002 (collectively, the "Resolution"), orders of The County Commission of Kanawha County relating to the Issuer and the appointment of members of the Board, and other documents relating to the Bond and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Loan Agreement and the Resolution when used herein.

I am of the opinion that:

1. The Issuer is a duly created and validly existing public service district and is a 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 and to adopt the Resolution, all under the Act and other applicable provisions of law.

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

3. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Issuer, enforceable in accordance with its terms.

4. The Resolution has been duly adopted by the Board and is in full force and effect.

5. The execution and delivery of the Bond and the Loan Agreement and the consummation of the transactions contemplated by the Bond, the Loan Agreement and the Resolution, 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 resolution, agreement or other instrument to which the Issuer is a party 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, registrations 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 the use of the System, including, without limitation, all requisite permits, approvals, orders and certificates from the Council and the Public Service Commission of West Virginia (the "PSC"), and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the PSC order entered on April 12, 2002, in Case No. 01-0995-PSD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project and the PSC Order entered June 9, 1999, in Case No. 98-0639-PSD-CN, approving the rates for the System. Such orders are in full force and effect.

7. The Issuer has duly published the required notice with respect to, among other things, the amount of the Bond to be issued, the interest rate and terms of the Bond, the Project to be acquired or constructed and the cost of the Project, the anticipated user rates and charges and the date that a formal application for a certificate of public convenience and necessity is to be filed with the PSC in accordance with Chapter 16, Article 13A, Section 25 of the Code of West Virginia, 1931, as amended, and has duly complied with the provisions thereof.

8. To the best of my 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 Agreement, the Bond and the Resolution, the acquisition and construction of the Project, the operation of the System, the validity of the Bond, the collection of the Gross Revenues or the pledge of the Net Revenues for the payment of the Bond.

9. All successful bidders have made the required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Based upon my review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, I am of the opinion that such surety bonds and policies: (1) are in compliance with the contracts; (2) are adequate in form, substance and amount to protect the various interest of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Resolution and the Loan Agreement; and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,

H. Wyatt A III

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(304) 372-2651

June 4, 2002

Chelyan Public Service District
Cabin Creek, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: Chelyan Public Service District, Sewer Revenue Bond,
Series 2002 (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as bond counsel to Chelyan Public Service District (the "Issuer") in connection with the issuance of its Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), dated the date hereof (the "Bond").

We have examined certified copies of proceedings and other papers relating to the authorization of (i) a loan agreement for the Bonds, dated June 4, 2002, 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 (ii) the Bond to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bond is issued in the principal amount of $3,118,574, in the form of one bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2004, all as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bond.

The 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 Code of West Virginia, 1931, as amended (collectively, the "Act"), for the purposes of (i) paying in full the Issuer's Sewer System Design Notes, Series

1998; (ii) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewer facilities of the Issuer (the "Project"); and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act and a Bond Resolution duly adopted by the Issuer on February 22, 2002, as supplemented by a Supplemental Resolution duly adopted by the Issuer on May 29, 2002 (collectively, the "Resolution"), pursuant to and under which Act and Resolution the Bond is authorized and issued, and the Loan Agreement is entered into. The Bond is subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Resolution 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 and is a public corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bond, 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 and is a valid and binding special obligation of the Issuer, enforceable in accordance with the terms thereof.

3. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer, without the written consent of the Authority and the Council.

4. The Issuer has legally and effectively adopted the Resolution and all other necessary resolutions in connection with the issuance and sale of the Bond. The Resolution constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms thereof and contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Bond has been duly authorized, issued, executed and delivered by the Issuer to the Authority and is a valid, legally enforceable and binding special obligation of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Prior Bonds, all in accordance with the terms of the Bond and the Resolution.

6. Under the Act, the Bond and the interest thereon, if any, are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

No opinion is given herein as to the effect upon the enforceability of the Bond under any applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or the exercise of judicial discretion or principles of equity in appropriate cases.

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

Respectfully submitted,

Goodwin & Goodwin, LLP

Goodwin & Goodwin, LLP

Hanna & Page

ATTORNEYS AT LAW

H. Wyatt Hanna, III

Alva Page III

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June 4, 2002

Ms. Katy Mallory, P.E.
Executive Secretary
WV Infrastructure & Jobs Development Council
300 Summers Street, Suite 980
Charleston, WV 25301

RE: Chelyan Public Service District
Sewer Revenue Bonds, $3,118,574, Series 2002
WV Infrastructure & Jobs Development Fund

FINAL TITLE OPINION

Dear Ms. Mallory:

This firm represents the Chelyan Public Service District ("District") with regard to the above referenced matter. This Title Opinion is being provided to you to satisfy the requirements with regard to a loan through the West Virginia Infrastructure and Jobs Development Council. As such, please be advised of the following:

1. That I have investigated and ascertained the location of, and am familiar with the legal description of the necessary sites, including easements and/or rights-of-way for the project as described in Plans and Specifications prepared by S & S Engineers, Inc., of Charleston, West Virginia, and approved by the Public Service Commission of West Virginia in Case No. 01-0995-PSD-CN.

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

a. (1) Jerry Dennis Fugate and Juanita M. Fugate, his wife, concerning real property described in Deed Book 1944, at Page 626, for a sanitary sewer easement.

(2) James Persinger and Sherry Persinger, his wife, concerning real property described in Deed Book 2191, at Page 72, for a sanitary sewer easement.

(3) Joey Lee Rose and Mary A. Rose, his mother, concerning real property described in Deed Book 2288, at Page 864, for a sanitary sewer easement.

b. As of June 4, 2002, the District has instituted condemnation proceedings in the Circuit Court of Kanawha County, West Virginia, the acquire the necessary easements concerning the above referenced properties. The District is vested with the power of eminent domain and a right of entry hearing will be held as soon as possible, subject to the docket of the Circuit Court of Kanawha County, West Virginia. Based upon information provided to the undersigned by the District and its consulting engineer, S & S Engineers, Inc., the lack of title for these properties at closing will not impede the construction of the project.

c. The District has an option for each of the following properties, when exercised on June 4, 2002, will vest legal title or such other estate or interest in the necessary site components for the above referenced project in the name of the District, including easements or rights of way, sufficient to assure undisturbed use and possession for the estimated life of the facilities to be constructed. These properties are as follows:

	Name	Deed Book/Page No.
1.	Shonk Land Company	1816 / 236
2.	William T. Harlow	2484 / 686
3.	L. T. Kelley	1809 / 555
4.	Imperial Coal Company	363 / 576
5.	June Carroll	1861 / 750
6.	Jamie Thomas	2453 / 917
7.	David L. Harlow	2313 / 53
8.	William T. Harlow, Jr.	2484 / 686
9.	Ohley Land Company	2083 / 785
10.	American Electric Power	1642 / 559

4. That any deeds or other documents which have been acquired to date by the District have been duly recorded in the aforesaid Clerk's Office in order to protect the interests of the District.

5. That I have been advised by the District's consulting engineer, S & S Engineers, Inc., of Charleston, West Virginia, that the necessary permits as may be required by the governing authorities have been acquired for the project.

If you should have any questions regarding the information contained in this letter, please do not hesitate to contact my office.

Sincerely,

H. Wyatt Hanna, III

HWHIII/rb

cc: Chelyan PSD
S & S Engineers, Inc.
William Bragg, Esquire
Samme Gee, Esquire

$1,023,500 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A

$175,276 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B

BOND RESOLUTION

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CHELYAN PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,023,500 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A AND $175,276 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CHELYAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"ARC Grant" means the grant from the Appalachian Regional Commission.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.01.

"Construction Trust Fund Depository Bank" means Bank One, West Virginia, Charleston, National Association.

"Consulting Engineers" means S & S Engineers, Inc., Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.03G 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 Series 1994 A Bonds, as hereinafter defined, 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 Huntington National Bank, West Virginia, a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

"EPA Grant" means the grant from the United States Environmental Protection Agency.

"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 1994 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 1994 A Bonds, plus

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Series 1994 A and/or Series 1994 B 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 1994 A and/or Series 1994 B 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 1994 A and/or Series 1994 B 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 obligations and which are deemed to become proceeds of the Series 1994 A and/or Series 1994 B Bonds ratably as original proceeds of the Series 1994 A and/or Series 1994 B 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 1994 A Bonds and/or Series 1994 B 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 Series 1994 A Bonds and/or Series 1994 B Bonds 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 1994 A Bonds and/or Series 1994 B Bonds by the Issuer;

"Nonpurpose Investment" means any Investment Property which is acquired with the Gross Proceeds of the Series 1994 A and Series 1994 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1994 A Bonds and Series 1994 B Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined 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 of Project, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent, other than those capitalized as part of the Costs of Project, 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.

"Other Grants" means the grants from The County Commission of Kanawha County, The Town of Cedar Grove and Quincy Center and any other grants reviewed for the Project.

"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, notices 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.

"Prior Bond" means the Issuer's Sewerage System Revenue Bond, Series 1979 issued in the original aggregate amount of $822,100.

$1,023,500 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A

$175,276 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B

BOND RESOLUTION

$1,023,500 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B

$175,276 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B

BOND RESOLUTION

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CHELYAN PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,023,500 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A AND $175,276 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CHELYAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"ARC Grant" means the grant from the Appalachian Regional Commission.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly

constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"Bondholders" "Holder of the Bonds," "Holder," "Registered Owner," "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 Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

"Bonds" means the Series 1994 A Bonds and Series 1994 B Bonds originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"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.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Forms contained herein.

"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, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"CDB Grant" means the grant from the Community Development Block Grant from the Department of Housing and Urban Development.

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.01.

"Construction Trust Fund Depository Bank" means Bank One, West Virginia, Charleston, National Association.

"Consulting Engineers" means S & S Engineers, Inc., Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.03G 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 Series 1994 A Bonds, as hereinafter defined, 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 Huntington National Bank, West Virginia, a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

"EPA Grant" means the grant from the United States Environmental Protection Agency.

"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 1994 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 1994 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 thereof.

"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 is now or 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, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

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

"Grant Receipts" means all moneys received by the Issuer on account of any Grant to pay Costs of the Project; provided that "CDB Grant Receipts" means only the Grant Receipts on account of the CDB Grant, "ARC Receipts" means only the ARC Grant Receipts on account of any or all of the ARC Grant, and "EPA Receipts" means only the EPA Grant Receipts on account of any or all of the EPA Grant.

"Grants" means, collectively, the CDB Grant, the EPA, the ARC Grant and the Other Grants.

"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 1994 A and/or Series 1994 B 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 1994 A and/or Series 1994 B 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 1994 A and/or Series 1994 B 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 obligations and which are deemed to become proceeds of the Series 1994 A and/or Series 1994 B Bonds ratably as original proceeds of the Series 1994 A and/or Series 1994 B 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 1994 A Bonds and/or Series 1994 B 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 Series 1994 A Bonds and/or Series 1994 B Bonds 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 1994 A Bonds and/or Series 1994 B Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1994 A Bonds and/or Series 1994 B 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, or any Tap Fees, as hereinafter defined.

"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 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 the Chelyan Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means, the Loan Agreements to be entered into between the Authority and the Issuer, pursuant to which the Authority shall agree, subject to the Issuer's satisfying certain engineering, legal and other requirements, to purchase the Series 1994 A Bonds and Series 1994 B Bonds.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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 1994 A and Series 1994 B Bonds and is not acquired in order to carry out the governmental purpose of the Series 1994 A Bonds and Series 1994 B Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined 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 of Project, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent, other than those capitalized as part of the Costs of Project, 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.

"Other Grants" means the grants from The County Commission of Kanawha County, The Town of Cedar Grove and Quincy Center and any other grants reviewed for the Project.

"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, notices 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.

"Prior Bond" means the Issuer's Sewerage System Revenue Bond, Series 1979 issued in the original aggregate amount of $822,100.

"Prior Resolution" means resolution of the Issuer authorizing the Prior Bond adopted on December 12, 1978.

"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 revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds issued by the Authority or any successor to said program as currently constituted.

"Project" means the acquisition and construction of the sewerage system distribution facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the Recommended Decision of the PSC in Case No. 91-1061-PSD-CN which was entered and became the Final Order on January 26, 1993, as supplemented and amended.

"Purchase Price," for the purpose of computation of the Yield of the Series 1994 A Bonds and Series 1994 B 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 1994 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 1994 A Bonds of each maturity is sold or, if the Series 1994 A Bonds are privately placed, the price paid by the first buyer of the Series 1994 A Bonds or the acquisition costs 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 1994 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 1994 A Bonds.

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

(a) Government Obligations;

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

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of paid repurchase agreements, and <u>provided further</u> that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Rebate Fund" means the fund created pursuant to Section 8.02 hereof.

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

"Resolution" means this resolution, as from time to time amended or supplemented.

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

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

"Series 1994 A Bonds" means the not more than $1,023,500 in aggregate principal amount of Chelyan Public Service District Sewerage System Revenue Bonds, Series 1994 A, of the Issuer originally authorized hereby.

"Series 1994 B Bonds" means the not more than $175,276 in aggregate principal amount of Chelyan Public Service District Sewerage System Revenue Bonds, Series 1994 B, of the Issuer originally authorized hereby.

"Series 1994 A Bonds Reserve Account" means the Series 1994 A Bonds Reserve Account established in the Series 1994 A Bonds Sinking Fund pursuant to Section 5.02(1)(a).

"Series 1994 B Bonds Reserve Account" means the Series 1994 B Bonds Reserve Account established in the Series 1994 B Bonds Sinking Fund pursuant to Section 5.02(2)(a).

"Series 1994 A Bonds Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Series 1994 A Bonds in the then current or any succeeding year.

"Series 1994 B Bonds Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest

with will become due on the Series 1994 B Bonds in the then current or any succeeding year.

"Series 1994 A Bonds Sinking Fund" means Series 1994 A Bonds Sinking Fund established by Section 5.02(1).

"Series 1994 B Bonds Sinking Fund" means Series 1994 B Bonds Sinking Fund established by Section 5.02(2).

"State" means the State of West Virginia.

"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 but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete sewerage system of the Issuer, and any further 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.

"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 1994 A Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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.

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.

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 a other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Kanawha County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions and improvements to the System of the Issuer, consisting of the Project under the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer. The Issuer anticipates entering into a sewer provider agreement with the Towns of Cedar Grove and East Bank, subject to PSC approval.

D. 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 the System, the principal of and interest on the Prior Bond, the Series 1994 A Bonds, the Series 1994 B Bonds and all sinking funds, reserve accounts and other payments provided f herein, in the Prior Resolution and in the PSC Order.

E. The estimated maximum cost of the construction and acquisition of the Project is $5,391,851, of which approximately $1,198,776 will be permanently obtained from the Bonds herein authorized and approximately $2,804,775, $362,300, $175,000 and $851,000 will be obtained from the EPA Grant, ARC Grant, CDB Grant and the Other Grants, respectively. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Cost of Project.

F. There are currently outstanding obligations of the Issuer which will rank on parity with the Series 1994 A Bonds and Series 1994 B Bonds as to lien, pledge, source and security for payment, being the Issuer's Sewerage System Revenue Bond, Series 1979 (the "Prior Bond") issued in the original aggregate principal amount of $822,100.

The Issuer has met the parity test requirement set forth in the Prior Bond and the Prior Resolution authorizing the Prior Bond and has received the written consent of Farmers Home Administration as owner of the Prior Bond for the issuance of the Bonds.

G. It is deemed necessary for the Issuer to issue its revenue bonds, being the Chelyan Public Service District Sewerage System Revenue Bonds, Series 1994 A and Series 1994 B Bonds in the aggregate principal amount of not more than $1,198,776 to permanently finance the cost of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; amounts which may be deposited in the Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues and for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the placing of the 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 Bonds or the repayment of indebtedness, incurred by the Issuer for such purposes shall be deemed Costs of the Project.

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

I. It is in the best interests of the Issuer that the Series 1994 A Bonds and Series 1994 B Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

J. 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 Series 1994 A Bonds and Series 1994 B Bonds, or will have so complied prior to issuance of any Series 1994 A Bonds and Series 1994 B Bonds, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to appeal have been waived.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Bonds of like series.

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 in accordance with the plans and specifications which have been prepared by the Consulting Engineers and heretofore filed in the office of the Governing Body. The proceeds of the Series 1994 A Bonds and Series 1994 B Bonds hereby authorize and shall be applied as provided in Article VI hereof.

The District has received bids or entered into contracts for the acquisition and construction of the Project.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying the costs of the Project, funding a reserve account for the Series 1994 A Bonds and Series 1994 B Bonds, capitalizing interest on the Series 1994 A Bonds and Series 1994 B Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in two series, to be designated respectively "Chelyan Public Service District Sewerage System Revenue Bonds, Series 1994 A," in the aggregate principal amount of not more than $1,023,500 and "Chelyan Public Service District Sewerage System Revenue Bonds, Series 1994 B," in the aggregate principal amount of not more than $125,276, and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. 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 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 the 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 this Resolution, the Bonds shall be issued in the form of a single bond, 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 this Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds 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 Supplemental Resolution. The Bonds shall be dated as of the date specified in the Supplemental Resolution and shall bear interest from such date.

Section 3.03. Additional Terms of Series 1994 A Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Series 1994 A Bonds to the Authority, the Issuer covenants that the Series 1994 A Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority authorizing the issuance of Series 1994 A Bonds pursuant to the Program.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No 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 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 Resolution. 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 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner 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 Registered Owner 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 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 the Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be 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 obligated to make any such exchange or transfer of Bonds during the period commencing on the fifteenth 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 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate 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 proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and

if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Series 1994 A Bonds and Series 1994 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on parity with the lien on the Net Revenues in favor of the holders of the Prior Bond. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1994 A Bonds, Series 1994 B Bonds and the Prior Bond and to make the payments into the Sinking Funds, the Reserve Accounts therein and the Renewal and Replacement Fund hereinafter established and established in the Prior Resolution, are hereby irrevocably pledged to the payment of the principal of and interest on the Prior Bond and the Series 1994 A Bonds and Series 1994 B Bonds as the same become due.

Section 3.10. Form of Bonds. The text of the Series 1994 A Bonds and Series 1994 B 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 Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND, SERIES 1994 A [SERIES 1994 B]

No. AR-1 [2] $1,023,500
[$175,276]

KNOW ALL MEN BY THESE PRESENTS: That CHELYAN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Kanawha 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 $1,023,500 [$175,276] in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest 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 April 1 and October 1 in each year, beginning October 1, 1994. 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 Bank One, West Virginia, Charleston, 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 April 22, 1994.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of $1,023,500 [$175,276] (i) to pay a portion of the costs of acquisition and construction

of certain improvements and extensions to the existing sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds during the construction of the Project and for approximately six 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 Code of West Virginia, 1931, as amended (the "Act"), and a Resolution duly adopted by the Issuer on April 18, 1994, and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH THE CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BOND, SERIES 1979, ISSUED SEPTEMBER 13, 1979 (THE "PRIOR BOND"), AND ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF $822,100 [AND THE CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BOND, SERIES 1994 [A/B] ISSUED SIMULTANEOUSLY HEREWITH IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,023,500/$175,276].

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 lien of the Prior Bond and the Series 1994 [B] Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1994 [A/B] Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). 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 in 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 1994 [A/B] Bonds Reserve Account and unexpended Bond Proceeds. 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 required in any year for debt service on the Series 1994 [A/B] Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1994 [A/B] Bonds, provided however, that so long as the Series 1994 A Bonds Reserve Account is funded at an amount at least

equal to the maximum amount of principal and interest which will come due on said Bonds in the then current or any succeeding year, and the reserve account for any other obligations outstanding prior to or on a parity with the Series 1994 [A/B] Bonds, including the Prior Bond and the [A/B], is funded at 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 Resolution. Remedies provided the Registered Owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, CHELYAN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated April __, 1994.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 [A/B] Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: April __, 1994

BANK ONE, WEST VIRGINIA, CHARLESTON,
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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Series 1994 A Bonds and the Series 1994 B Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement 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.

Section 3.12. "Amended Schedule A". Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual Costs of the Project and sources of funds therefor.

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 (or continued if previously established by the Prior Resolution) and shall be held by the Depository Bank or Construction Trust Fund Depository Bank separate and apart from all other funds or accounts of each Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Construction Trust Fund (to be held by the Construction Trust Fund Depository Bank); and

(4) Rebate 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 1994 A Bonds Sinking Fund;

(a) Within the Series 1994 A Bonds Sinking Fund, the Series 1994 A Bonds Reserve Account.

(2) Series 1994 B Bonds Sinking Fund;

(a) Within the Series 1994 B Bonds Sinking Fund, the Series 1994 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 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 current 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 and simultaneously with the transfers required by Section 3.02(B)(2) of the Prior Resolution, apportion

and set apart out of the Revenue Fund and remit to the Commission, without distinction or priority between th three payments, (i) commencing 7 months prior to the first date of payment of interest on the Series 1994 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 1994 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1994 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 1994 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date; and (ii) commencing 7 months prior to the first date of payment of interest on the Series 1994 B 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 1994 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1994 B Bonds on the next ensuing semiannual interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Series 1994 B Bonds Sinking Fund and the next semiannua 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 and without distinction or priority between the payments, (i) commencing 13 months prior to the first date of payment of principal on the Series 1994 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1994 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 1994 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; and (ii) commencing 13 months prior to the first date of payment of principal on the Series 1994 B Bonds,

apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1994 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 1994 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.

(4) The Issuer shall next and simultaneously with the transfer required by Section 3.02(B)(3) of the Prior Resolution, on the first day of each month and without distinction of priority between the two payments, (i) commencing 13 months prior to the first date of payment of principal of the Series 1994 A Bonds, if not fully funded upon issuance of the Series 1994 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1994 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1994 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 1994 A Bonds Reserve Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 1994 B Bonds, if not fully funded upon issuance of the Series 1994 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1994 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1994 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 1994 B 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 Project and simultaneously with the transfer required by Section 3.02(B)(4) of the Prior Resolution, 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 1994 A Bonds Reserve Account and the Series 1994 B 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 1994 A Bonds Reserve Account and the Series 1994 B Bonds Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(4), shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1994 A Bonds and Series 1994 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 1994 A Bonds Reserve Account and the Series 1994 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 Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1994 A Bonds Sinking Fund and Reserve Account and Series 1994 B Bonds Sinking Fund and Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 8.03.

Any withdrawals from the Series 1994 A Bonds Reserve Account which result in a reduction in the balance of the Series 1994 A Bonds Reserve Account to below the Reserve Requirement therefor shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1994 A Bonds Sinking Fund and the Series 1994 A Bonds Reserve Account, including deficiencies for prior payments, have been made in full.

Any withdrawals from the Series 1994 B Bonds Reserve Account which result in a reduction in the balance of the Series 1994 B Bonds Reserve Account to below the Reserve Requirement therefor shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1994 B Bonds Sinking Fund and the Series 1994 B Bonds Reserve Account, including deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Series 1994 A Bonds and Series 1994 B Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such 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 Series 1994 A Bonds and Series 1994 B Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

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 Resolution.

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 Parity Bonds 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 Excess Revenues. Excess Revenues may be used for any lawful purpose of the System.

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 charges and the fees then due.

D. The moneys in excess of 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; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

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 Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceeds; Pledge of Unexpended Bonds Proceeds. (1) From the moneys received from the sale of the Series 1994 A Bonds, the following amounts shall be deposited as set forth below:

A. From the proceeds of the Series 1994 A Bonds, there shall be deposited in the Series 1994 A Bonds Sinking Fund, the sum, if any, set forth in the Supplemental Resolution; provided that such amount shall not exceed the amount necessary to pay interest for the construction period, plus six months.

B. From the proceeds of the Series 1994 A Bonds, there shall be deposited with the Commission in the Series 1994 A Bonds Reserve Account the sum, if any, set forth in this Resolution for funding of the Series 1994 A Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1994 A Bonds shall be deposited with the Construction Trust Fund Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

(2) From the moneys received from the sale of the Series 1994 B Bonds, the following amounts shall be deposited as set forth below:

A. From the proceeds of the Series 1994 B Bonds, there shall be deposited in the Series 1994 B Bonds Sinking Fund, the sum, if any, set forth in the Supplemental Resolution; provided that such amount shall not exceed the amount necessary to pay interest for the construction period, plus six months.

B. From the proceeds of the Series 1994 B Bonds, there shall be deposited with the Commission in the Series 1994 B Bonds Reserve Account the sum, if any, set forth in this Resolution for funding of the Series 1994 B Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1994 B Bonds shall be deposited with the Construction Trust Fund Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

The Construction Trust Fund Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth

in this Resolution. Moneys in the Construction Trust Fund shall be used solely to pay Costs of the Project and, until so expended, ar hereby pledged as additional security for the respective series o. Bonds. For purposes of this provision only, the moneys on hand in the Construction Trust Fund shall be treated as being disbursed on a proportionate basis.

Section 6.02. Disbursements from the Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Construction Trust Fund (except for the costs of issuance of the Bonds originally authorized hereby, which shall be made upon request of the Issuer), shall be made only after submission to the Construction Trust Fund 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 Construction Trust Fund Depository Bank shall disburse from the Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction Trust Fund shall be presumed by the Construction Trust Fund 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 Construction Trust Fund. The Consulting Engineers shall from time to time file with the Construction Trust Fund Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the 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 Construction Trust Fund Depository Bank shall transfer, pro rata, any moneys remaining in the Construction

Trust Fund to the Series 1994 A Bonds Reserve Account and to the Series 1994 B Bonds Reserve Account, and when all 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.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds, not to be Indebtedness of the Issuer. The 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 Resolution. No Holder or Holders of any 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 thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position. The payment of the debt service of the Series 199[illegible] A Bonds and Series 1994 B 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 parity with the lien on said Net Revenues in favor of the holders of the Prior Bond. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bond and the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in this Resolution.

Section 7.04. Initial Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System shall be as set forth, described in and ordered by the PSC Order, which schedule of rates is attached as Exhibit B hereto and incorporated herein by reference and is hereby adopted and approved as the rates of the Issuer, which rates will become effective as provided in the PSC Order.

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed

payments into the funds and accounts 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.

Section 7.05. Sale of the System. Except as otherwise required by law and as long as the Prior Bond is outstanding, 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 or redeem at or prior to maturity all the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof and to pay the Prior Bond in full. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1994 A Bonds and Series 1994 B Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Series 1994 A Bonds and Series 1994 B 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, in writing, 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, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The 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 or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) 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. 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 Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless 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 respective liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. 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 Resolution, except under the conditions and in the manner herein provided and in the Prior Resolution so long as the Prior Bond is outstanding.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1994 A Bonds and Series 1994 B Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions or improvements to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

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

(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 three succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates adopted by the Issuer and approved by the PSC, 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 Publi Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer and approved by the PSC, 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 Series 1994 A Bonds and Series 1994 B Bonds and the Holders of any Parity Bonds 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 respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. 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 issue 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 the revenues of the System is subject to the prior and superior liens of the Outstanding 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 1994 A Bonds and Series 1994 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 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.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued pursuant to a Supplemental Resolution solely for the purpose of

completing the Project as described in the application to the Authority and in accordance with the plans and specifications of the Consulting Engineer, in the event that the Series 1994 A Bonds and Series 1994 B Bonds should be insufficient, together with other funds lawfully available therefore, to pay all costs of construction and acquisition of the project 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 and provided further that prior to the issuance of such Parity Bonds and under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority. The holders of the Prior Bond must consent to the issuance of such Parity 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 issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed by the Uniform System of accounts promulgated by the PSC. 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, and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to 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 Resolution.

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, including any reserves required by the PSC Order or any supplement or amendment thereto 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 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 Prior Bond; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account and reserve accounts for obligations prior to or on a parity with the Bonds, including the Prior Bond, 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 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 revenues 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 thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State.

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 PSC, 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 PSC, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. 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. Such charges shall be paid as they accrue and the issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will 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, so long as the Authority is the Owner of the Bonds. 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 interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by

the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in this Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

Section 7.15. Mandatory Connections. The mandatory use of the sewerage facilities portion 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 sewerage facilities portion of 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 sewerage facilities portion of the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the sewerage facilities portion 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 sewerage facilities portion of 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, Operation and Maintenance. The Issuer will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient

and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1994 A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

E. TWO YEAR CONSTRUCTION ELECTION. The Issuer will expend the gross proceeds of the Bonds for the Project no later than the day which is two years after the date of issuance of the Bonds. The Issuer will expend the net proceeds (including, without limitation, investment proceeds earned before the close of the period involved on the investment of the proceeds of the Bonds) of the Bonds for the Project within the following periods beginning on the date of issuance of the Bonds.

Not less than 10 percent within 6 months,

Not less than 45 percent within 1 year,

Not less than 75 percent within 18 months, and

Not less than 100 percent within 2 years

(except for a reasonable retainage not exceeding 5% of the net proceeds of the Bonds which will be spent within 3 years). At least 75% of the net proceeds of the Bonds are to be used for construction expenditures with respect to property owned by the Issuer, and the Project will be owned by the Issuer.

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

G. 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, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Registered Owners of Bonds which lien is on a parity with the lien of the Prior Bond.

Section 7.19. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

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

Except as specifically provided herein, 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 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 a year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records relating thereto so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of intent on the Bonds from gross income for Federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1994 A Bonds and Series 1994 B 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 Series 1994 A Bonds so that the Series 1994 A Bonds will not constitute "arbitrage bonds" under 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 Series 1994 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. 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 Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1994 A Bonds and Series 1994 B Bonds, 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 or the Loan Agreement, 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 the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

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 Series 1994 A Bonds, 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 Series 1994 A Bonds and Series 1994 B Bonds shall be determined based on the actual Yield of the Series 1994 A Bonds and Series 1994 B Bonds and during the period between the Closing Date for the Series 1994 A Bonds and Series 1994 B 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 Series 1994 A Bonds and Series 1994 B Bonds, 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 Series 1994 A Bonds and Series 1994 B 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 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 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 six years following the retirement of the Series 1994 A Bonds and Series 1994 B 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 and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

ARTICLE IX

DEFAULT AND REMEDIES

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

(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 Resolution, 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, the Bond Registrar, any 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his 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 this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the 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 at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners of the Prior Bond.

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 this Resolution and the Act, including, 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 the 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, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him, 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 Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of a Series of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of a Series of Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to such Series only the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

A Series of 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 principal installments of and interest on such Series of Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 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 of 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 of 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 Series of 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 Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds (66-2/3%) percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from the gross income of the Holders thereof.

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

Section 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 and the 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 and 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 the Resolution and the Prior Resolution, the

prior Resolution shall control (unless less restrictive), so long as the Prior Bond is 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 18th day of April, 1994.

CHELYAN PUBLIC SERVICE DISTRICT

Chairman, Public Service District

Member, Public Service District

Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Chelyan Public Service District on the 18th day of April, 1994.

Dated: April 22, 1994.

[SEAL]

Secretary, Public Service District

ABB03CF0

EXHIBIT A

DESCRIPTION OF PROJECT

The proposed wastewater collection system extension will serve the communities of Witcher Creek, Diamond, Carroll Branch and Shrewsbury. It will also provide connections for the Town of Cedar Grove and the Town of East Bank to transport and treat their wastewater at the Chelyan PSD Wastewater Treatment Plant.

It is expected that an additional 640 customers within the Chelyan PSD boundaries will be served along with the Town of Cedar Grove and the Town of East Bank as bulk-rate customers.

APPENDIX A

CHELYAN PUBLIC SERVICE DISTRICT
Case No. 91-1061-PSD-CN

APPROVED RATES

SCHEDULE NO. 1

Applicable to all of the District and where extended.

AVAILABILITY OF SERVICE
Available for sanitary sewer service.

RATE (Based on water consumption or metered waste placed in the sewer system).

First	2,000 gallons used per month	$5.32 per 1,000 gallons
Next	1,000 gallons used per month	5.00 per 1,000 gallons
Next	17,000 gallons used per month	3.75 per 1,000 gallons
Next	80,000 gallons used per month	3.11 per 1,000 gallons
All Over	100,000 gallons used per month	2.49 per 1,000 gallons

MINIMUM CHARGE
No bill will be rendered for less than $10.64 per month.

NON-METERED
Where the customer has no water meter or where a substantial portion of the water consumed is not metered, the monthly minimum charge shall be Seventeen Dollars and Fifty-Two Cents ($17.52).

DELAYED PAYMENT PENALTY
The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

DISCONNECT FOR NON-PAYMENT
Service shall be discontinued for non-payment of sewer bill as provided by Rule 4.05 of the Rules and Regulations for the Government of Sewer Utilities.

WATER DISCONNECT - RECONNECT FEES
Whenever water service has been disconnected for nonpayment of sewer bills, a disconnection fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $20.00 shall be charged.

Indicates Advance

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A AND SERIES 1994 B, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING LOAN AGREEMENTS WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Chelyan Public Service District (the "District") has duly and officially adopted a Bond Resolution on April 18, 1994 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,023,500 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A AND $175,276 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Chelyan Public Service District Sewerage System Revenue Bonds, (herein the "Bonds") in aggregate principal amount not to exceed $1,198,776, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the terms of the Loan Agreements (the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

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

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in

the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for; and

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE CHELYAN PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of $1,198,776, with the following provisions:

(A) The Series 1994 A Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $1,023,500. The Series 1994 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2033, shall bear interest at the rate of 6.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1994, 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 1994 A Bonds, and shall be payable in installments of principal on October 1 in each of the years 1995 through 2033, inclusive, and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference. The Series 1994 A Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

(B) The Series 1994 B Bonds shall be originally issued in the form of a single bond, numbered AR-2, in the principal amount of $175,276. The Series 1994 B Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2033, shall bear interest at the rate of 6.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1994, 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 1994 B Bonds, and shall be payable in installments of principal on October 1 in each of the years 1995 through 2033, inclusive, and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference. The Series 1994 B Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the

Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including each "Schedule X" attached thereto, a copy of which is 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 District have been and are hereby authorized, approved and directed.

Section 4. The District hereby reaffirms Huntington National Bank, West Virginia, Charleston, West Virginia, as the Depository Bank for the Revenue Fund.

Section 5. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association, Charleston, West Virginia, as the Construction Trust Fund Depository Bank, as provided in the Resolution.

Section 6. The District hereby appoints and designates Bank One, West Virginia, Charleston, National Association, Charleston, West Virginia, as Registrar for the Bonds.

Section 7. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreements on or about April 22, 1994.

Section 9. Series 1994 A Bonds proceeds in the amount of $94,253.73 shall be deposited in the Series 1994 A Sinking Fund, as capitalized interest; and Series 1994 B Bonds proceeds in the amount of $16,633.02 shall be deposited in the Series 1994 B Sinking Fund, as capitalized interest.

Section 10. The financing of the Project in part with proceeds of the 1994 Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 11. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 12. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the

District to be used directly or indirectly in a manner which would result in the exclusion of the 1994 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any 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 District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 13. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: April 18, 1994

CHELYAN PUBLIC SERVICE DISTRICT

Joyce McPhail

Chairman

[SEAL]

Jerry W. Jones

Secretary

ABB03A38

West Virginia Water Development Authority
Interest Bearing Local Loan from Series 1993 B-II Pool
Debt Service Schedule - Chelyan Public Service District

Avg Coup = 6.75%
TIC = 6.754596%
NIC = 6.749999%

WAM = 27.94 yrs

Closing April 22, 1994
Interest Bearing Loan: $1,023,500.00

Date	Coupon	Principal	Interest	Debt Service
10/1/94	6.75%	0.00	30,513.08	30,513.08
10/1/95	6.75%	5,867.40	69,086.23	74,953.63
10/1/96	6.75%	6,263.45	68,690.18	74,953.63
10/1/97	6.75%	6,686.23	68,267.40	74,953.63
10/1/98	6.75%	7,137.55	67,816.08	74,953.63
10/1/99	6.75%	7,619.33	67,334.30	74,953.63
10/1/00	6.75%	8,133.63	66,820.00	74,953.63
10/1/01	6.75%	8,682.66	66,270.98	74,953.64
10/1/02	6.75%	9,268.73	65,684.90	74,953.63
10/1/03	6.75%	9,894.37	65,059.26	74,953.63
10/1/04	6.75%	10,562.24	64,391.39	74,953.63
10/1/05	6.75%	11,275.20	63,678.44	74,953.64
10/1/06	6.75%	12,036.28	62,917.36	74,953.64
10/1/07	6.75%	12,848.73	62,104.91	74,953.64
10/1/08	6.75%	13,716.01	61,237.62	74,953.63
10/1/09	6.75%	14,641.84	60,311.79	74,953.63
10/1/10	6.75%	15,630.17	59,323.47	74,953.64
10/1/11	6.75%	16,685.20	58,268.43	74,953.63
10/1/12	6.75%	17,811.45	57,142.18	74,953.63
10/1/13	6.75%	19,013.73	55,939.91	74,953.64
10/1/14	6.75%	20,297.16	54,656.48	74,953.64
10/1/15	6.75%	21,667.22	53,286.42	74,953.64
10/1/16	6.75%	23,129.76	51,823.88	74,953.64
10/1/17	6.75%	24,691.01	50,262.62	74,953.63
10/1/18	6.75%	26,357.65	48,595.98	74,953.63
10/1/19	6.75%	28,136.79	46,816.84	74,953.63
10/1/20	6.75%	30,036.02	44,917.61	74,953.63
10/1/21	6.75%	32,063.45	42,890.18	74,953.63
10/1/22	6.75%	34,227.73	40,725.90	74,953.63
10/1/23	6.75%	36,538.10	38,415.53	74,953.63
10/1/24	6.75%	39,004.43	35,949.21	74,953.64
10/1/25	6.75%	41,637.22	33,316.41	74,953.63
10/1/26	6.75%	44,447.73	30,505.90	74,953.63
10/1/27	6.75%	47,447.96	27,505.68	74,953.64
10/1/28	6.75%	50,650.69	24,302.94	74,953.63
10/1/29	6.75%	54,069.62	20,884.02	74,953.64
10/1/30	6.75%	57,719.31	17,234.32	74,953.63
10/1/31	6.75%	61,615.37	13,338.27	74,953.64
10/1/32	6.75%	65,774.40	9,179.23	74,953.63
10/1/33	6.75%	70,214.18	4,739.46	74,953.64
		1,023,500.00	1,930,204.79	2,953,704.79

Prepared 4/8/94

West Virginia Water Development Authority
Interest Bearing Local Loan from Bridge Financing Program
Debt Service Schedule - Chelyan Public Service District

Avg Coup = 6.75%
TIC = 6.754579%
NIC = 6.749986%

WAM = 27.94 yrs

Closing April 22, 1994
Interest Bearing Loan: $175,276.00

Date	Coupon	Principal	Interest	Debt Service
10/1/94	6.75%	0.00	5,225.40	5,225.40
10/1/95	6.75%	1,004.81	11,831.09	12,835.90
10/1/96	6.75%	1,072.63	11,763.27	12,835.90
10/1/97	6.75%	1,145.04	11,690.87	12,835.91
10/1/98	6.75%	1,222.33	11,613.58	12,835.91
10/1/99	6.75%	1,304.84	11,531.07	12,835.91
10/1/00	6.75%	1,392.91	11,442.99	12,835.90
10/1/01	6.75%	1,486.94	11,348.97	12,835.91
10/1/02	6.75%	1,587.30	11,248.60	12,835.90
10/1/03	6.75%	1,694.44	11,141.46	12,835.90
10/1/04	6.75%	1,808.81	11,027.09	12,835.90
10/1/05	6.75%	1,930.91	10,905.00	12,835.91
10/1/06	6.75%	2,061.24	10,774.66	12,835.90
10/1/07	6.75%	2,200.37	10,635.53	12,835.90
10/1/08	6.75%	2,348.90	10,487.01	12,835.91
10/1/09	6.75%	2,507.44	10,328.46	12,835.90
10/1/10	6.75%	2,676.70	10,159.21	12,835.91
10/1/11	6.75%	2,857.37	9,978.53	12,835.90
10/1/12	6.75%	3,050.24	9,785.66	12,835.90
10/1/13	6.75%	3,256.14	9,579.77	12,835.91
10/1/14	6.75%	3,475.92	9,359.98	12,835.90
10/1/15	6.75%	3,710.54	9,125.36	12,835.90
10/1/16	6.75%	3,961.01	8,874.90	12,835.91
10/1/17	6.75%	4,228.37	8,607.53	12,835.90
10/1/18	6.75%	4,513.79	8,322.12	12,835.91
10/1/19	6.75%	4,818.47	8,017.44	12,835.91
10/1/20	6.75%	5,143.71	7,692.19	12,835.90
10/1/21	6.75%	5,490.92	7,344.99	12,835.91
10/1/22	6.75%	5,861.55	6,974.35	12,835.90
10/1/23	6.75%	6,257.20	6,578.70	12,835.90
10/1/24	6.75%	6,679.57	6,156.34	12,835.91
10/1/25	6.75%	7,130.43	5,705.47	12,835.90
10/1/26	6.75%	7,611.73	5,224.17	12,835.90
10/1/27	6.75%	8,125.52	4,710.38	12,835.90
10/1/28	6.75%	8,673.99	4,161.91	12,835.90
10/1/29	6.75%	9,259.49	3,576.42	12,835.91
10/1/30	6.75%	9,884.50	2,951.40	12,835.90
10/1/31	6.75%	10,551.71	2,284.20	12,835.91
10/1/32	6.75%	11,263.95	1,571.96	12,835.91
10/1/33	6.75%	12,024.27	811.64	12,835.91
		175,276.00	330,549.67	505,825.67

Prepared 4/6/94

$634,000
CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A

BOND RESOLUTION

$634,000 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A

BOND RESOLUTION

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$634,000 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A

BOND RESOLUTION

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$634,000 CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A

BOND RESOLUTION

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CHELYAN PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $634,000 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CHELYAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended and in effect on the date of adoption of this Resolution.

"ARC Grant" means the grant from the Appalachian Regional Commission.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, or any other agency of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any other person duly appointed as such by the Governing Body.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or

any other authority vested with and authorized to exercise the powers of the Issuer.

"Bondholders" "Holder of the Bonds," "Holder," "Registered Owner," "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 Register" means the books of the Issuer as hereinafter defined, maintained by the Bond Registrar as hereinafter defined for the registration and transfer of the Bonds.

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

"Bonds" means the Series 1995 A Bonds originally authorized hereby, and any pari passu additional bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"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.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in the Bond Forms contained herein.

"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, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.01.

"Construction Trust Fund Depository Bank" means Bank One, West Virginia, National Association.

"Consulting Engineers" means S & S Engineers, Inc., Charleston, West Virginia, or any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of sewerage systems or facilities that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System and which engineer or engineering firm shall meet the Program requirements.

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.03G 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 Series 1995 A Bonds, as hereinafter defined, 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 Huntington National Bank West Virginia, a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined and any successor thereto.

"EPA Grant" means the grant from the United States Environmental Protection Agency.

"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 1995 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 1995 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 thereof.

"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 is now or 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, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

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

"Grant Receipts" means all moneys received by the Issuer on account of any Grant to pay Costs of the Project; provided that "ARC Receipts" means only the ARC Grant Receipts on account of any or all of the ARC Grant, and "EPA Receipts" means only the EPA Grant Receipts on account of any or all of the EPA Grant.

"Grants" means, collectively, the EPA, the ARC Grant and the Other Grants.

"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 1995 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 1995 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 1995 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 obligations and which are deemed to become proceeds of the Series 1995 A Bonds ratably as original proceeds of the Series 1995 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 1995 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 Series 1995 A Bonds 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 1995 A Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Series 1995 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, or any Tap Fees, as hereinafter defined.

"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 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 the Chelyan Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" means, the Loan Agreement to be entered into between the Authority and the Issuer, pursuant to which the Authority shall agree, subject to the Issuer's satisfying certain engineering, legal and other requirements, to purchase the Series 1995 A Bonds.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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 1995 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1995 A Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System, as hereinafter defined 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 of Project, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent, other than those capitalized as part of the Costs of Project,

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.

"Other Grants" means the grant from The Town of East Bank in the amount of $163,000 and The Town of Cedar Grove (second installment from Phase II Project) in the amount of $75,000 and any other grants received for the Project.

"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, notices 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.

"Prior Bonds" means the Issuer's Sewerage System Revenue Bonds, Series 1994 A, Sewerage System Revenue Bonds, Series 1994 B and Sewerage System Revenue Bond, Series 1979 issued in the original aggregate amount of $1,023,500, $175,276 and $822,100, respectively.

"Prior Resolutions" means collectively, the Series 1979 Resolution and the Series 1994 Resolution, as hereinafter defined.

"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 revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of sewer development revenue bonds issued by the Authority or any successor to said program as currently constituted.

"Project" means the acquisition and construction of the sewerage system distribution facility by the Issuer substantially as described in Exhibit A attached hereto and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successors to the functions thereof.

"PSC Order" means the Final Orders of the PSC in Case No. 91-1061-PSD-CN which were entered January 26, 1993, April 5, 1994, April 20, 1994 and June 26, 1995.

"Purchase Price," for the purpose of computation of the Yield of the Series 1995 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 1995 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 1995 A Bonds of each maturity is sold or, if the Series 1995 A Bonds are privately placed, the price paid by the first buyer of the Series 1995 A Bonds or the acquisition costs 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 1995 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 1995 A Bonds.

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

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; the Governmental National Mortgage Association; the Tennessee

Valley Authority or the Washington Metropolitan Area Transit Authority;

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

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

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

(f) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (d) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of paid repurchase agreements, and <u>provided further</u> that the owner 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;

(g) The "consolidated fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended; and

(h) Advance-Refunded Municipal Bonds.

"Rebate Fund" means the fund created pursuant to Se[illegible]io 8.02 hereof.

"Renewal and Replacement Fund" means the Renewal an[illegible] Replacement Fund established or continued by Section 5.01.

"Resolution" means this resolution, as from time to tim[illegible] amended or supplemented.

"Revenue Fund" means the Revenue Fund established o[illegible] continued by Section 5.01.

"Secretary" means the Secretary of the Governing Body o[illegible] the Issuer.

"Series 1979 Resolution" means the Resolution adopte[illegible] December 12, 1978 authorizing the issuance of the Sewerage Systen Revenue Bond, Series 1979.

"Series 1994 Resolution" means the Resolution adopted o[illegible] April 18, 1994 authorizing the issuance of the Sewerage Systen Revenue Bonds, Series 1994 A and Sewerage System Revenue Bonds, Series 1994 B.

"Series 1995 A Bonds" means the not more than $634,000 i[illegible] aggregate principal amount of Chelyan Public Service District Sewerage System Revenue Bonds, Series 1995 A, of the Is[illegible]er originally authorized hereby.

"Series 1995 A Bonds Reserve Account" means the Series 1995 A Bonds Reserve Account established in the Series 1995 A Bonds Sinking Fund pursuant to Section 5.02(1)(a).

"Series 1995 A Bonds Reserve Requirement" means as of any date of calculation the maximum amount of principal and interest with will become due on the Series 1995 A Bonds in the then current or any succeeding year.

"Series 1995 A Bonds Sinking Fund" means Series 1995 A Bonds Sinking Fund established by Section 5.02(1).

"State" means the State of West Virginia.

"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 but not limited to the Renewal and Replacement Fund, the Reserve Accounts and Sinking Funds, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the complete sewerage system of the Issuer, and any further improvements or extensions ther[illegible]o

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.

"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 1995 A Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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.

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.

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. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State located in Kanawha County, West Virginia.

B. The Issuer presently owns and operates a public sewerage system.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions and improvements to the System of the Issuer, consisting of the Project under the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer. The

Issuer has entered into sewer provider agreements with The Town of East Bank and the Town of Cedar Grove, as approved by the PSC.

D. 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 the System, the principal of and interest on the Prior Bond, the Series 1995 A Bonds and all sinking funds, reserve accounts and other payments provided for herein, in the Prior Resolution and in the PSC Order.

E. The estimated maximum cost of the construction and acquisition of the Project is $1,944,625, of which approximately $634,000 will be permanently obtained from the Bonds herein authorized and approximately $934,925, $137,700 and $238,000 will be obtained from the EPA Grant, ARC Grant, and the Other Grants, respectively. The Issuer may obtain such other grants and contributions or from other sources as may be necessary to pay Cost of Project.

F. There are currently outstanding obligations of the Issuer which will rank on parity with the Series 1995 A Bonds as to lien, pledge, source and security for payment, being the Issuer's Sewerage System Revenue Bonds, Series 1994 A, Sewerage System Revenue Bonds, Series 1994 B and Sewerage System Revenue Bond, Series 1979 (the "Prior Bonds") issued in the original aggregate principal amount of $1,023,500, $175,276 and $822,100 respectively.

The Issuer has met the parity test requirement set forth in the Prior Bonds and the Prior Resolutions authorizing the Prior Bonds and has received the written consent of Farmers Home Administration and West Virginia Water Development Authority as owners of the Prior Bonds for the issuance of the Bonds.

G. It is deemed necessary for the Issuer to issue its revenue bonds, being the Chelyan Public Service District Sewerage System Revenue Bonds, Series 1995 A in the aggregate principal amount of not more than $634,000 to permanently finance the cost of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; amounts which may be deposited in the Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues and for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, commitment fees, fees of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized and the placing of the 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 Bonds or the repayment of indebtedness, incurred by the Issuer for such purposes shall be deemed Costs of the Project.

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

I. It is in the best interests of the Issuer that the Series 1995 A Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

J. 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 Series 1995 A Bonds, or will have so complied prior to issuance of any Series 1995 A Bonds, including, among other things, the obtaining of the PSC Order, the time for rehearing and appeal of which expired or the rights of all parties to appeal have been waived.

Section 1.04. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of any and all of such Bonds of like series.

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 in accordance with the plans and specifications which have been prepared by the Consulting Engineers and heretofore filed in the office of the Governing Body. The proceeds of the Series 1995 A Bonds hereby authorize and shall be applied as provided in Article VI hereof.

The District has received bids or entered into contracts for the acquisition and construction of the Project consistent with the Application.

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 paying the costs of the Project, funding a reserve account for the Series 1995 A Bonds, capitalizing interest on the Series 1995 A Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental Resolution, there shall be issued negotiable bonds of the Issuer. Said Bonds shall be issued in two series, to be designated respectively "Chelyan Public Service District Sewerage System Revenue Bonds, Series 1995 A," in the aggregate principal amount of not more than $634,000 and shall have such terms as are set forth hereinafter or in the Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Term 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 the 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 this Resolution, the Bonds shall be issued in the form of a single bond, 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 this Resolution. The Bonds shall be exchangeable at the option and expense of the Holder for other fully registered Bonds 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 the Supplemental Resolution and shall bear interest from such date.

Section 3.03. Additional Terms of Series 1995 A Bonds. In addition to the terms set forth in Sections 3.01 and 3.02 hereof and in anticipation of the sale of the Series 1995 A Bonds to the Authority, the Issuer covenants that the Series 1995 A Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority authorizing the issuance of Series 1995 A Bonds pursuant to the Program.

Section 3.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.05. Authentication and Registration. No 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 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 Resolution. 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 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Registered Owner 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 Registered Owner 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 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 the Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be 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 obligated to make any such exchange or transfer of Bonds during the period commencing on the [illegible]teenth 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 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate 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 proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.08. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the respective Reserve Accounts. No Holder or Holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or the interest thereon.

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Series 1995 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 parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1995 A Bonds and the Prior Bonds and to make the payments into the Sinking Fund, the Reserve Account therein and the Renewal and Replacement Fund hereinafter established and established in the Prior Resolutions, are hereby irrevocably pledged to the payment of the principal of and interest on the Prior Bonds and the Series 1995 A Bonds as the same become due.

Section 3.10. Form of Bonds. The text of the Series 1995 A 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 Bonds]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND, Series 1995 A

No. AR-1 $634,000

KNOW ALL MEN BY THESE PRESENTS: That CHELYAN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Kanawha 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 Thirty Four Thousand Dollars ($634,000) in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest 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 April 1 and October 1 in each year, beginning October 1, 1995. 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 Bank One, West Virginia, 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 June 29, 1995.

This Bond is one of a series of Bonds (the "Bonds") issued in the original principal amount of $634,000 (i) to pay a portion of the costs of acquisition and construction of certain

improvements and extensions to the existing sewerage system of the Issuer (the "Project"); (ii) to pay interest on the Bonds during the construction of the Project and for approximately six 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 Code of West Virginia, 1931, as amended (the "Act"), and a Resolution and supplemental resolution duly adopted by the Issuer on June 28, 1995, and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND IS ON A PARITY AS TO LIEN ON AND SOURCE OF PAYMENT AND SECURITY FROM THE NET REVENUES (AS DEFINED IN THE RESOLUTION) WITH THE CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 A, AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994 B, ISSUED APRIL 22, 1994, IN THE ORIGINAL PRINCIPAL AMOUNT OF $1,023,500 AND $176,276 RESPECTIVELY, AND THE SEWERAGE SYSTEM REVENUE BOND, SERIES 1979, ISSUED SEPTEMBER 13, 1979, IN THE ORIGINAL PRINCIPAL AMOUNT OF $822,100 (COLLECTIVELY, THE "PRIOR BONDS").

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 lien of the Prior Bonds, moneys in the Reserve Account created under the Resolution for the Bonds (the "Series 1995 A Bonds Reserve Account") and unexpended proceeds of the Bonds (the "Bond Proceeds"). 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 in 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 1995 A Bonds Reserve Account and unexpended Bond Proceeds. 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 required in any year for debt service on the Series 1995 A Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with any of the Series 1995 A Bonds, provided however, that so long as the Series 1995 A Bonds Reserve Account is funded at an amount at least

the maximum amount of principal and interest which will on said Bonds in the then current or any succeeding year, reserve account for any other obligations outstanding prior a parity with the Series 1995 A Bonds, including the Prior e funded at an amount at least equal to the requirement such percentage may be reduced to 110%. The Issuer has into certain further covenants with the Registered Owners Bonds for the terms of which reference is made to the ion. Remedies provided the Registered Owners of the Bonds lusively as provided in the Resolution, to which reference made for a detailed description thereof.

Subject to the registration requirements set forth , this Bond is transferable, as provided in the Resolution, upon the books of the Registrar by the Registered Owner, or by torney duly authorized in writing, upon the surrender of this together with a written instrument of transfer satisfactory to egistrar duly executed by the Registered Owner or its attorney authorized in writing.

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

All money received from the sale of this Bond, after imbursement and repayment of all amounts advanced for preliminary penses as provided by law, shall be applied solely to the costs the Project described in the Resolution, and there shall be and reby is created and granted a lien upon such moneys, until so plied, in favor of the owner of this Bond.

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

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

IN WITNESS WHEREOF, CHELYAN 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 29, 1995.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1995 A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: June 29, 1995

BANK ONE, WEST VIRGINIA, 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 said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Ratification and Execution of Loan Agreement with Authority. The Series 1995 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 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.

Section 3.12. "Amended Schedule A". Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual Costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

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 (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank or Construction Trust Fund Depository Bank separate and apart from all other funds or accounts of each Depository Bank and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Construction Trust Fund (to be held by the Construction Trust Fund Depository Bank); and

(4) Rebate 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 1995 A Bonds Sinking Fund;

(a) Within the Series 1995 A Bonds Sinking Fund, the Series 1995 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 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 current 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 and simultaneously with the transfers required by Section 3.02(B)(2) of the Series 1979 Resolution for the payment of interest and Section 5.03(2) of the Series 1994 Resolution, apportion and set apart out of the Revenue Fund and remit to the Commission, without distinction or priority between the three payments, (i) commencing 7 months prior to the first date of payment of

interest on the Series 1995 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 1995 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1995 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 1995 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 and simultaneously with the transfers required by Section 3.02(B) of the Series 1979 Resolution for the payment of principal, and Section 5.03(3) of the Series 1994 Resolution, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1995 A Bonds Sinking Fund, without distinction or priority between the payments, (i) commencing 13 months prior to the first date of payment of principal on the Series 1995 A Bonds, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1995 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 1995 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 and simultaneously with the transfer required by Section 3.02(B)(3) of the Series 1979 Resolution and Section 5.03(4) of the Series 1994 Resolution, on the first day of each month and without distinction of priority between the payments, commencing 13 months prior to the first date of payment of principal of the Series 1995 A Bonds, if not fully funded upon issuance of the Series 1995 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1995 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1995 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1995 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 1995 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 Project and simultaneously with the transfer required by Section 3.02(B)(4) of the Series 1979 Resolution and Section 5.03(5) of the Series 1994 Resolution, 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 respective Reserve Accounts; provided that the total required deposit shall not exceed 2 1/2% of Gross Revenue. 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 1995 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 by Subsection 5.03(A)(4), shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Series 1995 A 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 1995 A 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 Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1995 A Bonds Sinking Fund and Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited for use in the Earnings Fund as required by Section 8.03.

Any withdrawals from the Series 1995 A Bonds Reserve Account which result in a reduction in the balance of the Series 1995 A Bonds Reserve Account to below the Reserve Requirement therefor shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1995 A Bonds Sinking Fund and the

Series 1995 A Bonds Reserve Account, including deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Series 1995 A Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such 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 Series 1995 A Bonds of such series, including such additional Bonds which by their terms are payable from such Sinking Fund.

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 Resolution.

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 Parity Bonds 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 Excess Revenues. Excess Revenues may be used for any lawful purpose of the System.

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 charges and the fees then due.

D. The moneys in excess of 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; provided, that all deposits, including on account of deficiencies, shall be made in the order of priority set forth in Paragraph (A), above, and no payment of lower priority shall be made if there exists a deficiency in a fund or account of higher priority. No such deficiency shall exist solely because the required payments into the Reserve Accounts have not, as of such date, funded such account to the requirement therefor.

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 Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and used for any lawful purpose of the System.

ARTICLE VI

APPLICATION OF BONDS PROCEEDS

Section 6.01. Application of Bonds Proceeds; Pledge of Unexpended Bonds Proceeds. (1) From the moneys received from the sale of the Series 1995 A Bonds, the following amounts shall be deposited as set forth below:

A. From the proceeds of the Series 1995 A Bonds, there shall be deposited in the Series 1995 A Bonds Sinking Fund, the sum, if any, set forth in the Supplemental Resolution; provided that such amount shall not exceed the amount necessary to pay interest for the construction period, plus six months.

B. From the proceeds of the Series 1995 A Bonds, there shall be deposited with the Commission in the Series 1995 A Bonds Reserve Account the sum, if any, set forth in this Resolution for funding of the Series 1995 A Bonds Reserve Account.

C. The remaining moneys derived from the sale of the Series 1995 A Bonds shall be deposited with the Construction Trust Fund Depository Bank in the Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

The Construction Trust Fund Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Construction Trust Fund set forth in this Resolution. Moneys in the 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 respective series of Bonds. For purposes of this provision only, the moneys on hand in the Construction Trust Fund shall be treated as being disbursed on a proportionate basis.

Section 6.02. Disbursements from the Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Construction Trust Fund (except for the costs of issuance of the Bonds originally authorized hereby, which shall be made upon request of the Issuer), shall be made only after submission to the Construction Trust Fund 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 Construction Trust Fund Depository Bank shall disburse from the Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction Trust Fund shall be presumed by the Construction Trust Fund 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 Construction Trust Fund. The Consulting Engineers shall from time to time file with the Construction Trust Fund Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the 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 Construction Trust Fund Depository Bank shall transfer, pro rata, any moneys remaining in the Construction Trust Fund to the Series 1995 A Bonds Reserve Account, and when the Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds, not to be Indebtedness of the Issuer. The 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 Resolution. No Holder or Holders of any 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 thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position. The payment of the debt service of the Series 1995 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 parity with the lien on said Net Revenues in favor of the holders of the Prior Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds herein authorized and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Resolution and the Prior Resolutions 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 this Resolution.

Section 7.04. Initial Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System shall be as set forth, described in and ordered by the PSC Order, which schedule of rates is attached as Exhibit B hereto and incorporated herein by reference and is hereby adopted and approved as the rates of the Issuer, which rates will become effective as provided in the PSC Order.

The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay the Operating Expenses of the System and to make the prescribed

into the funds and accounts created hereunder. Such of rates and charges shall be changed and readjusted necessary so that the aggregate of the rates and charges sufficient for such purposes.

Section 7.05. Sale of the System. Except as otherwise by law and as long as the Prior Bonds is outstanding, the may not be sold, mortgaged, leased or otherwise disposed of as a whole, or substantially as a whole, and only if the net to be realized shall be sufficient to pay fully or redeem prior to maturity all the Bonds Outstanding, or to defease this Resolution in accordance with Sections hereof and to pay the Prior Bonds in full. The proceeds from such sale, mortgage, lease or other disposition of the System be immediately remitted to the Commission for deposit in the Funds, and the Issuer shall direct the Commission to apply proceeds to the payment of principal at maturity of and on the Series 1995 A Bonds about to mature and to the prior to maturity at the earliest date permitted hereby at the redemption price, of all other Outstanding Bonds. Any remaining after the redemption or payment of all the Series A Bonds and interest thereon shall be remitted to the Issuer the Commission unless necessary for the payment of other of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall and hereby reserves the right to sell, lease or otherwise 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, in writing, 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, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The 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 or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds (66 2/3%) 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. 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 Parity Bonds may be issued as provided for in Section 7.07 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless 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 respective liens of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution, or upon the System or any part thereof.

Section 7.07. 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 Resolution, except under the conditions and in the manner herein provided and in the Prior Resolutions so long as the Prior Bonds are outstanding.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1995 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions or improvements to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three 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 three succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from any increase in rates adopted by the Issuer and approved by the PSC, 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 and approved by the PSC, 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 Series 1995 A Bonds and the Holders of any Parity Bonds 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 respective liens on the revenues of the System and their respective source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of another series on a parity therewith. 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 the revenues of the System is subject to the prior and superior liens of the Outstanding 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 1995 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.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued pursuant to a Supplemental Resolution solely for the purpose of completing the Project as described in the application to the Authority and in accordance with the plans and specifications of

the Consulting Engineer, in the event that the Series 1995 A Bonds should be insufficient, together with other funds lawfully available therefore, to pay all costs of construction and acquisition of the project 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 and provided further that prior to the issuance of such Parity Bonds and under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority. The holders of the Prior Bonds must consent to the issuance of such Parity 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 issued pursuant to this Resolution shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed by the Uniform System of accounts promulgated by the PSC. 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, and the Authority, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds, Notes or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to 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 Resolution.

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, including any reserves required by the PSC Order or any supplement or amendment thereto 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 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 Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirement are on deposit respectively in the Reserve Account and reserve accounts for obligations prior to or on a parity with the 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 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 revenues expenditures for operation and maintenance of the System during the succeeding Fiscal Year shall submit a copy of such budget to the Authority within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.11. No Competing Franchise. To the ext legally allowable, the Issuer will not grant or cause, consent or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the PSC and other laws of the State.

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 PSC, 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

PSC, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. 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. Such charges shall be paid as they accrue and the issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will 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, so long as the Authority is the Owner of the Bonds. 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 interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in this Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry

liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

Section 7.15. Mandatory Connections. The mandatory use of the sewerage facilities portion 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 sewerage facilities portion of 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 shall be adequately served by the sewerage facilities portion of the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the sewerage facilities portion 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 sewerage facilities portion of 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, Operation and Maintenance. The Issuer will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Resolution.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as 'private activity bonds' within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1995 A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

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

E. TWO YEAR CONSTRUCTION ELECTION. The Issuer will expend the gross proceeds of the Bonds for the Project no later than the day which is two years after the date of issuance of the Bonds. The Issuer will expend the net proceeds (including, without limitation, investment proceeds earned before the close of the period involved on the investment of the proceeds of the Bonds) of the Bonds for the Project within the following periods beginning on the date of issuance of the Bonds.

Not less than 10 percent within 6 months,

Not less than 45 percent within 1 year,

Not less than 75 percent within 18 months, and

Not less than 100 percent within 2 years

(except for a reasonable retainage not exceeding 5% of the net proceeds of the Bonds which will be spent within 3 years). At least 75% of the net proceeds of the Bonds are to be used for construction expenditures with respect to property owned by the Issuer, and the Project will be owned by the Issuer.

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

G. 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, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Registered Owners of Bonds which lien is on a parity with the lien of the Prior Bonds.

Section 7.19. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.20. Securities 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, annual operating related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R., Part 240, (240, 15c2-12)).

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

Except as specifically provided herein, 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 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 a year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records relating thereto so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of intent on the Bonds from gross income for Federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 1995 A 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

Series 1995 A Bonds so that the Series 1995 A Bonds will not constitute "arbitrage bonds" under 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 Series 1995 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. 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 Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Series 1995 A Bonds, 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 or the Loan Agreement, 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 the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

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 Series 1995 A Bonds, 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 Series 1995 A Bonds shall be determined based on the actual Yield of the Series 1995 A Bonds and during the period between the Closing Date for the Series 1995 A 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 Series 1995 A Bonds, 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 Series 1995 A 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 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 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 six years following the retirement of the

Series 1995 A 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 and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

ARTICLE IX

DEFAULT AND REMEDIES

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

(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 Resolution, 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, the Bond Registrar, any 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 Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his 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 this Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the 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 at law or bill in equity enjoin any acts in violation of the Resolution with respect to the Bonds, or the rights of such Registered Owners, provided however, that all rights and remedies of the Registered Owners shall be subject to those of the Registered Owners 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 this Resolution and the Act, including, 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 the 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, or both, on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

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

Such receiver, in the performance of the powers hereinabove conferred upon him, 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 Resolution, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of a Series of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of a Series of Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then with respect to such Series only the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Registered Owners of such Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

A Series of 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 principal installments of and interest on such Series of Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All 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 of 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 of 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 Series of 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 Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds (66-2/3%) percent or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from the gross income of the Holders thereof.

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

Section 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 and the 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 and 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 the Resolution and the Prior Resolutions, the

Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

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

Section 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 28th day of June, 1995.

CHELYAN PUBLIC SERVICE DISTRICT

Joyce McPhail

Chairman, Public Service District

Jerry N. Jamie

Member, Public Service District

Ray L. Harlan

Member, Public Service District

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of Chelyan Public Service District on the 28th day of June, 1995.

Dated: June 29, 1995.

[SEAL]

Secretary, Public Service District

ABB07904

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EXHIBIT A

DESCRIPTION OF PROJECT

Upgrade of the wastewater treatment plant and facilities and to extend the wastewater collection lines to the Witcher Creek, Diamond, Carroll's Branch and Shrewsbury areas.

EXHIBIT B

SCHEDULE OF RATES

ABB07904

CHELYAN PUBLIC SERVICE DISTRICT
Case No. 91-1061-PSD-CN

APPROVED RATES

SCHEDULE NO. 1

Applicable to all of the District and where extended.

AVAILABILITY OF SERVICE
Available for sanitary sewer service.

(A) RATE (Based on water consumption or metered waste placed in the sewer system).

First	2,000 gallons used per month	$5.32 per 1,000 gallons
Next	1,000 gallons used per month	5.00 per 1,000 gallons
Next	17,000 gallons used per month	3.75 per 1,000 gallons
Next	80,000 gallons used per month	3.11 per 1,000 gallons
All Over	100,000 gallons used per month	2.49 per 1,000 gallons

(A) MINIMUM CHARGE
No bill will be rendered for less than $10.64 per month.

(A) NON-METERED
Where the customer has no water meter or where a substantial portion of the water consumed is not metered, the monthly minimum charge shall be Seventeen Dollars and Fifty-Two Cents ($17.52).

DELAYED PAYMENT PENALTY
The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

DISCONNECT FOR NON-PAYMENT
Service shall be discontinued for non-payment of sewer bill as provided by Rule 4.05 of the Rules and Regulations for the Government of Sewer Utilities.

WATER DISCONNECT - RECONNECT FEES
Whenever water service has been disconnected for nonpayment of sewer bills, a disconnection fee of $20.00 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $20.00 shall be charged.

(A) Indicates Advance

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING THE LOAN AGREEMENT WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the Chelyan Public Service District (the "District") has duly and officially adopted a Bond Resolution on June 28, 1995 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $634,000 IN AGGREGATE PRINCIPAL AMOUNT OF CHELYAN PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, SERIES 1995 A PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the Chelyan Public Service District Sewerage System Revenue Bonds, (herein the "Bonds") in aggregate principal amount not to exceed $634,000, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into between the District and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the Bonds should be established by a supplemental resolution;

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

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the Bonds be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for; and

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE CHELYAN PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the Bonds shall be in the aggregate principal amount of $634,000, with the following provisions:

The Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $634,000. The Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2033, shall bear interest at the rate of 6.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1995, 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 1995 A Bonds, and shall be payable in installments of principal on October 1 in each of the years 1996 through 2033, inclusive, and in the amounts as set forth in "Schedule X," attached thereto and to the Loan Agreement and incorporated therein by reference. The Series 1995 A Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including each "Schedule X" attached thereto, a copy of which is 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 District have been and are hereby authorized, approved and directed.

Section 4. The District hereby reaffirms and appoints Huntington National Bank West Virginia, Charleston, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as the Construction Trust Fund Depository Bank, as provided in the Resolution.

Section 6. The District hereby appoints and designates Bank One, West Virginia, National Association, Charleston, West Virginia, as Registrar for the Bonds.

Section 7. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 8. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about June 29, 1995.

Section 9. The District hereby directs that the Bond proceeds in the amount of $64,193 shall be deposited in the Series 1995 A Sinking Fund, as capitalized interest.

Section 10. The District hereby directs that Bond proceeds in the amount of $46,698 be deposited in the Series 1995 A Bonds Reserve Account.

Section 11. The financing of the Project in part with proceeds of the Series 1995 A Bonds is in the public interest, serves a public purpose of the District and will promote the health, welfare and safety of the residents of the District.

Section 12. The District hereby directs the Depository Bank and Construction Trust Fund Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments until further directed by the District.

Section 13. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Series 1995 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any 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 District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 14. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: June 28, 1995

CHELYAN PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary

ABB078F9

CHELYAN PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 A

BOND RESOLUTION

CHELYAN PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 A

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Exhibit A - Project Description

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWERAGE SYSTEM OF CHELYAN PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF, THROUGH THE ISSUANCE BY THE DISTRICT OF ITS SEWERAGE SYSTEM REVENUE BONDS; AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF SEWERAGE SYSTEM REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN $2,700,000, SUCH BONDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE DISTRICT WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A BOND PURCHASE AGREEMENT RELATING TO SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATED THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF CHELYAN PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS

Section 1.01. Authority of this Resolution. This Resolution is enacted pursuant to the provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended, and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings in this Resolution unless the context expressly requires otherwise.

"Act" shall mean collectively Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended and in effect on the date of adoption of this Resolution.

"Authority" shall mean the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds on behalf of the Program, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Bond Act" means Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended and in effect on the date of the enactment of this Resolution.

"Bond Construction Trust Fund" shall mean the fund created by Section 6.01 hereof.

"Bondholder" or "Owner of the Bonds" or "Registered Owners" or "Holder" or any similar term shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as hereinafter defined.

"Bonds" shall mean the Original Bonds and any pari passu additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Resolution.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Bonds in substantially the form set forth in Section 3.08 hereof, or, as appropriate, the certificate of authentication and registration on the Notes in substantially the form set forth in Section 4.05 hereof.

"Chairperson" means the Chairperson of the Governing Body.

"Closing Date" shall mean the date upon which there is an exchange of the Bonds for all or a significant portion of the proceeds representing the purchase of the Bonds by the Authority.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" shall mean S & S Engineers, Inc., Charleston, West Virginia, or any engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"Cost of Project" or "Costs" shall mean those costs described in Section 1.04(H) hereof to be a part of the cost of the acquisition and construction of the Project.

"Debt Service" shall mean the scheduled amount of interest, if any, 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.

"DEP" shall mean 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 the functions of the DEP.

"Depository Bank" shall mean a bank or national banking association located in the State, eligible under the laws of the State to receive deposits of state municipal funds and insured by the FDIC, and designated as such in the Supplemental Resolution, and its successors and assigns.

"Event of Default" means any event or occurrence specified in Section 9.01 hereof.

"Extended Bond Purchase Program" shall mean the Extended Bond Purchase Program, an amendment to the Program under which DEP is authorized to provide non-interest bearing loans to disadvantaged communities, with terms, not to exceed the earlier or thirty years or the useful life of the project funded, to be established with reference to the community's median household income.

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

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

"Fund" shall mean the "West Virginia Water Pollution Control Revolving Fund" established by the State, administered by the DEP and funded by capitalization grants awarded to the State pursuant to the federal Clean Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the construction, acquisition and improvement of wastewater treatment facilities.

"Governing Body" means the public service board of the Issuer and shall include the membership of the board as may hereafter be duly constituted as the legal

successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

"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, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

"Grants" means, collectively, a grant from the Governor's Partnership Grant program in the amount of $1,035,000, a grant from the County Commission of Kanawha County in the amount of $1,175,000 and a Small Cities Block Grant in the amount of $1,250,000.

"Gross Revenues" shall mean the aggregate gross operating and non-operating revenues of the System 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, and for the furnishing by the Issuer of miscellaneous services.

"Independent Accountants" shall mean any certified public accountant or firm of certified public accountants which shall be retained by the Issuer as independent accountants for the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Infrastructure Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

"Issuer" or "District" means Chelyan Public Service District, a public corporation and political subdivision of the State.

"Loan Agreement" shall mean the Water Pollution Control Revolving Fund Bond Purchase Agreement dated July 13, 1999 by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority..

"Net Revenues" shall mean the balance of the Gross Revenues remaining after deduction of Operating Expenses, as hereafter defined.

"Operating Expenses" shall mean 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, DEP, the Infrastructure Council, fiscal agents, the Registrar and the Paying Agent (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; and 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 shall mean the not more than $2,700,000 in aggregate principal amount of the Issuer's Sewerage System Revenue Bonds, Series 1999 A, to be issued for the purpose of paying a portion of the Costs of the acquisition and construction of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto.

"Outstanding" when used with reference to Bonds, as of any particular date, describes all such Bonds theretofore and thereupon having been authenticated and delivered except (i) any such Bond canceled by the Registrar, at or prior to said date; (ii) any such Bond for the payment of which moneys, equal to its principal amount, with interest to the date of maturity of any such Bond, shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any such 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 such Bond registered to the Issuer.

"Parity Bonds" shall mean additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof, payable from Net Revenues on a parity with the Original Bonds.

"Paying Agent" shall mean the West Virginia Municipal Bond Commission or such other entity or authority as may be designated as a paying agent by the Issuer and the Supplemental Resolution with the written consent of the Authority and the DEP.

"Prior Bonds" shall mean the Series 1979 Bonds, the Series 1994 A Bonds, the Series 1994 B Bonds, and the Series 1995 A Bonds.

"Prior Notes" shall mean the Issuer's Sewerage System Design Note, Series 1998 A, dated July 10, 1998 and issued in the aggregate principal amount of $90,000.

"Prior Notes Resolution" shall mean the Resolution adopted by the Governing Body on July 9, 1998 authorizing the issuance of the Prior Notes.

"Prior Obligations" shall mean the Prior Bonds and the Prior Notes.

"Prior Resolutions" shall mean the Series 1979 Resolution, the Series 1994 Resolution and the Series 1995 Resolution.

"Program" shall mean the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP, and includes the Extended Bond Purchase Program.

"Project" shall mean the acquisition and construction of certain extensions, additions, betterments and improvements to the System, a description of which is attached hereto as Exhibit A and incorporated herein by reference.

"PSC" means the Public Service Commission of West Virginia and any successor to the functions thereto.

"PSC Order" means the Commission Order of the PSC dated June 6, 1999 in Case No. 98-0639-PWD-CN, as it may be amended or supplemented prior to the issuance of the Bonds, granting the Issuer a Certificate of Convenience and Necessity to construct the Project and approving the financing thereof.

"Qualified Investments" shall mean and include 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; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligation 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 Federal Deposit Insurance Corporation ("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 owner 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 "consolidated fund" (or any distinct portion thereof) managed by the West Virginia Investment Management Board pursuant to Article 6, Chapter 12 of the Code of West Virginia, 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 Investor Service, Inc., or Standard and Poor's Corporation.

"Registrar" shall mean the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns for the purpose of authentication and registration of the Bonds.

"Regulations" shall mean the regulations promulgated under the Code.

"Renewal and Replacement Fund" shall mean the fund created or continued in Section 5.01(2) hereof.

"Resolution" means this resolution, as from time to time amended or supplemented.

"Revenue Fund" shall mean the fund created by or continued in Section 5.01(1) hereof.

"SRF Administrative Fee" shall mean any administrative fee required to be paid pursuant to the Loan Agreement.

"SRF Act" shall mean Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended, and in effect on the date of the enactment of this Resolution.

"SRF Regulations" shall mean the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations, as amended, and includes the emergency regulations authorizing the Extended Bond Purchase Program.

"Secretary" means the Secretary of the Governing Body.

"Series 1979 Bonds" means the Issuer's Sewerage System Revenue Bonds dated September 13, 1979 and issued in the aggregate principal amount of $822,100.

"Series 1979 Resolution" means the Resolution adopted by the Governing Body on December 12, 1978 authorizing the issuance of the Series 1979 Bonds.

"Series 1994 A Bonds" means the Issuer's Sewerage System Revenue Bonds dated April 22, 1994 and issued in the aggregate principal amount of $1,023,500.

"Series 1994 B Bonds" means the Issuer's Sewerage System Revenue Bonds dated April 22, 1994 and issued in the aggregate principal amount of $175,276.

"Series 1994 Resolution" means the Resolution adopted by the Governing Body on April 18, 1994 authorizing the issuance of the Series 1994 A Bonds and the Series 1994 B Bonds.

"Series 1995 A Bonds" means the Issuer's Sewerage System Revenue Bonds dated June 29, 1995 and issued in the aggregate principal amount of $634,000.

"Series 1995 Resolution" means the Resolution adopted by the Governing Body on June 28, 1995 authorizing the issuance of the Series 1995 A Bonds.

"Series 1999 A Reserve Account" shall mean the Reserve Account created by Section 5.02(1)(a) hereof.

"Series 1999 A Reserve Requirement" shall mean, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding Fiscal Year.

"Series 1999 A Sinking Fund" shall mean the Sinking Fund created by Section 5.02 hereof.

"State" shall mean the State of West Virginia.

"Supplemental Resolution" shall mean 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 Original Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" shall mean the net revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds, including the Reserve Account and the Renewal and Replacement Fund.

"System" shall mean the existing wastewater collection and treatment system of the Issuer, and shall include any extensions, additions, betterments and improvements thereto.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. Words importing the masculine gender include all other genders.

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 general 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 the 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 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Original Bonds and any other bonds authorized to be issued hereunder by those who shall own 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 said Issuer shall be for the equal benefit, protection and security of the legal owners of any and all of such 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.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

A. The Issuer is a public corporation and political subdivision of the State in Kanawha County of said State. The Issuer now owns and operates a public wastewater collection and treatment system furnishing service to residences, premises and businesses residing or located within the Issuer's service territory. However, there are several communities in the Cabin Creek area of Kanawha County and within the Issuer's service territory that are not yet served by a public wastewater system. Certain of these communities have experienced reported outbreaks of encephalitis linked to the presence of open sewer lines, raising serious health concerns.

B. It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the Issuer that there be acquired and constructed the Project, generally consisting of the acquisition and construction of approximately 70,000 feet of sanitary sewer collection lines, seven pumping stations and two grinder pumping stations between Dry Branch and Cabin Creek Medical Center to serve approximately 640 new customers. The Project will be have an estimated cost of $6,068,000 and will be constructed in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have been approved by DEP and are on file with the Issuer. The Project is generally described in Exhibit A attached hereto and has an estimated useful life in excess of thirty years.

C. The Issuer derives Net Revenues from the System. The Net Revenues are currently encumbered by four outstanding obligations, including the Issuer's Series 1979 Bonds, dated September 13, 1979 and issued in the aggregate principal amount of $822,100; the Issuer's Series 1994 A Bonds, dated April 22, 1994 and issued in the aggregate principal amount of $1,023,500; the Issuer's Series 1994 B Bonds, dated April 22, 1994 and issued in the aggregate principal amount of $175,276; and the Issuer's Series 1995 A Bonds, dated June 29, 1995 and issued in the aggregate principal amount of $634,000 (collectively, the "Prior Bonds"). Other than the Prior Bonds, the Net Revenues of the System are not encumbered in any manner. The Issuer has received or, prior to the issuance of the Bonds, will have received, a certification from an Independent Accountant that the various tests for the issuance of parity bonds set forth in the Prior Resolutions have been met or waived.

D. In addition to the Prior Bonds, the Issuer has also issued its Sewerage System Design Note, Series 1998 A, dated July 10, 1998 and issued in the aggregate principal amount of $90,000 (the "Prior Notes," and collectively with the Prior Bonds, the "Prior Obligations") pursuant to a resolution adopted by the Governing Body on July 9, 1998 (the "Prior Notes Resolution"). The Prior Notes are not secured by the net revenues of the System, but have a first lien on the proceeds of any grants (other than Infrastructure Fund grants) for the System, the proceeds of any Original Bonds or any other revenue bonds, refunding bonds or other obligations of the Issuer for the System issued subsequent to the

issuance of the Prior Notes, and Surplus Revenues, if any, if adequate to amortize the Prior Notes over a twenty-year period. Section 3.09 of the Prior Notes Resolution provides, however, that the proceeds from the permanent financing of the acquisition and construction of sewer line extensions from Dry Branch to Cabin Creek Medical Center (the purpose for which the Original Bonds are to be issued) are not required to be used to repay the Prior Notes.

E. The Issuer (i) has informed the Authority and the Infrastructure Council of its intent to authorize the issuance of additional indebtedness related to the System as required by Section 3.15 of the Prior Notes Resolution and (ii) has secured the written consent of the Authority and the Infrastructure Council to issue revenue bonds and notes payable from the revenues of the System as required by Section 3.13 of the Prior Notes Resolution.

F. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the Authority. The Issuer also intends to apply the proceeds of several grants to finance a portion of the costs of acquisition and construction of the Project, including a grant from the Governor's Partnership Grant program in the amount of $1,035,000, a grant from the County Commission of Kanawha County in the amount of $1,175,000 and a Small Cities Block Grant in the amount of $1,250,000 (the "Grants").

G. The estimated revenues to be derived in each year after the adoption of this Resolution 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 the Original Bonds of the Issuer and all sinking fund and other payments provided for in this Resolution and in the Prior Resolutions.

H. It is deemed necessary for the Issuer to issue its Original Bonds in the aggregate principal amount of not more than $2,700,000 to finance the costs of the acquisition and construction of the Project herein described through the Program. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Original Bonds prior to and during construction or acquisition and for six months after completion of construction of the Project, if any; engineering, fiscal and legal expenses; expenses for estimates of cost and revenue; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, any fees or expenses of the Authority and DEP, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Original Bonds, 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 the 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 Original Bonds or the repayment of the indebtedness incurred by the Issuer for such purposes shall be deemed part of the Cost of the Project.

I. The Infrastructure Council has approved the Project. It is in the best interests of the Issuer that its Original Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement.

J. 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 Original Bonds, or will have so complied prior to the issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the PSC by Final Order, the time for rehearing and appeal of which will have expired prior to the issuance of the Original Bonds.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications prepared by the Consulting Engineers, approved by DEP and the Issuer, and on file in the office of the Governing Body; provided, however, that such plans and specifications, and the construction and acquisition of the Project in accordance therewith, are subject to the specific authorization by the Governing Body pursuant to a Supplemental Resolution.

The Issuer has received acceptable bids for the acquisition and construction of the Project. Prior to or concurrently with the issuance of the Original Bonds, the Issuer must enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Program.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 3.01. Authorization and Terms of Original Bonds. For the purposes of funding the reserve account, paying costs of issuance, financing a portion of the costs of the acquisition and construction of the Project not otherwise provided for, or any one or more of such items, there shall be issued the Original Bonds of the Issuer. The Original Bonds shall be initially issued in one or more series to be designated "Sewerage System Convertible Revenue Bonds, Series 1999 A," and so on, in an aggregate principal amount not to exceed $2,700,000. The Original Bonds shall be dated as of the date of delivery thereof and shall mature at such times, not exceeding thirty (30) years after the date of issuance and in such amount or amounts as shall be set out in the Loan Agreement. The Original Bonds shall bear no interest. The Original Bonds shall be subject to the SRF Administrative Fee set out in the Loan Agreement. The repayment of principal on the Original Bonds shall be as set forth in the Loan Agreement. The Original Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Body shall prescribe by a supplemental or amendatory resolution hereto adopted in connection with the sale of such Original Bonds.

The Original Bonds shall be payable as to principal, at the principal office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America.

Unless otherwise provided in the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution.

Section 3.02. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Chairperson and attested by the Secretary, and the seal of the Issuer shall be affixed thereto or imprinted thereon. 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 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 Section 3.08, shall have been duly manually executed by the 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 Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if manually 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, 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 owner, 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 owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value in the manner provided hereinafter in the form of said Bonds.

So long as any of the Bonds remain Outstanding, the Issuer, through the Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

Bonds shall be transferable only upon the books of the Registrar, by the registered Owner thereof in person or by the Owner's attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered Owner or the Owner's duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Registrar. For every such exchange or transfer of Bonds, the 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 Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Registrar shall not be obliged

to make any such exchange or transfer of Bonds during the 15 days preceding an interest payment date on the Bonds, or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver a new Bond 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 Owner's furnishing the Issuer proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur and the Registrar shall authenticate the new Bond. All Bonds so surrendered shall be canceled by the Registrar and held for the account of the Issuer. If 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 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 anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Owner or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power, if any, of the Issuer to pay the Bonds or any interest thereon.

Section 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Original 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 of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Bonds, to make the payments into the Series 1999 A Sinking Fund and the Series 1999 A Reserve Account therein and into the Renewal and Replacement Fund hereinafter established or contained, and to make the payments into the sinking funds, reserve accounts, and renewal and replacement or depreciation funds established for the Prior Bonds, are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Original Bonds. The text of each series of Original Bonds shall be of substantially the following tenor, with such omissions, insertions and

variations as may be necessary and desirable and authorized or permitted by this Resolution or any subsequent resolution adopted prior to the issuance thereof.

[FORM OF THE SERIES 1999 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF KANAWHA
CHELYAN PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 A
(WEST VIRGINIA SRF EXTENDED BOND PURCHASE PROGRAM)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That CHELYAN PUBLIC SERVICE DISTRICT, a public corporation and political subdivision organized and existing under the laws of the State of West Virginia, in Kanawha County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority"), or registered assigns, the sum of Two Million Five Hundred Eighteen Thousand Dollars ($2,518,000), or such lesser amount as is set forth on the Record of Advances attached hereto as Exhibit A and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 in each year beginning ____1, 200_, with no interest. The payment of principal of this Bond shall be as set forth on the "Schedule of Debt Service" attached as Exhibit B hereto and incorporated herein by reference. The SRF Administrative Fee (as defined in the hereinafter-described Bond Resolution) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____ 1, 200_, as set forth on Exhibit B.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the 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 as otherwise provided by the Bond Purchase Agreement dated July 13, 1999 by and among the Authority, the DEP and the Issuer.

This Bond is issued to permanently finance a portion of the costs of the acquisition and construction of certain extensions, additions, betterments and improvements to the existing wastewater collection and treatment system of the Issuer (the "Project," and together with any further extensions, additions, betterments and improvements thereto, the "System") and to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), a Resolution duly enacted by the Issuer on July 8, 1999,

and a Supplemental Resolution adopted by the Issuer on July 8, 1999 (collectively, the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

THIS BOND RANKS EQUALLY AS TO LIEN ON AND SOURCE OF AND SECURITY FOR PAYMENT WITH THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS DATED SEPTEMBER 13, 1979 AND ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $822,100; THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS DATED APRIL 22, 1994 AND ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,023,500; THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS DATED APRIL 22, 1994 AND ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $175,276; AND THE ISSUER'S SEWERAGE SYSTEM REVENUE BONDS DATED JUNE 29, 1995 AND ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $634,000 (THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues, on a parity with the lien of the Prior Bonds, to be derived from the operation of the System, moneys in the Series 1999 A Reserve Account created under the Resolution and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 A Reserve Account and unexpended Bond proceeds. 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 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 ensuing fiscal year of principal of and interest on all obligations on a parity with the Bonds, payable from such revenues, provided however, that so long as there exists in the Series 1999 A Reserve Account an amount equal to the maximum amount of principal and interest which will become due on the Bonds and any bonds on a parity therewith in any succeeding fiscal year, respectively, an amount 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 Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is made for a detailed description thereof.

This Bond is transferable, as provided in the Resolution, only upon the books of The City National Bank of West Virginia, Charleston, West Virginia, (the "Registrar"), kept for that purpose at the office of the Registrar, by the registered owner or 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.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Resolution or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the 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 Resolution and the statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond, to the same extent as if written fully herein.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, CHELYAN PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairperson and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, and has caused this Bond to be dated the 13th day of July, 1999.

[SEAL]

_____
Chairperson

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Original Bonds described in the within-mentioned Resolution and has been duly registered in the name of the registered owner set forth above.

THE CITY NATIONAL BANK
OF WEST VIRGINIA,
As Registrar

By _____
Its Authorized Officer

Dated: July 13, 1999

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 3.09. Sale of Original Bonds; Ratification and Execution of Loan Agreements. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. As a ratification of the resolution or resolutions of the Governing Body authorizing execution of the Loan Agreement, the Chairperson is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority. The Loan Agreement is specifically incorporated into this Resolution.

Section 3.10. Certificate of Consulting Engineers. Prior to the issuance of the Original Bonds, the Issuer must obtain the certificate of the Consulting Engineers, in the form attached to the Loan Agreement, to the effect that the Project has been designed as provided in the Program application and will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, as the case may be, that the Project will be adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of the acquisition and construction of the Project.

Section 3.11. Amended Schedule A Filing. Within 60 days following the Completion Date, the Issuer will file with the Authority its schedule, in substantially the form of "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds used therefor.

ARTICLE IV

[Reserved]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Continuation of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or, if established by a resolution prior to this resolution, continued hereby) and shall be held by the Depository Bank:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Series 1999 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 1999 A Bonds Sinking Fund; and

(a) Within the Series 1999 A Bonds Sinking Fund, the Series 1999 A 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 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 therein and herein provided.

(1) The Issuer shall, on the first day of each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount necessary to make, simultaneously and without preference or priority as between any of the deposits, the following deposits on account of interest on the Prior Bonds, on the respective dates set forth in the Prior Resolutions: to make the interest payments required by Section 3.02(B)(2) of the Series 1979 Resolution, Section 5.03(2) of the Series 1994 Resolution and Section 5.03(2) of the Series 1995 Resolution.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount necessary to make, simultaneously and without preference or priority as between any of the deposits, the following deposits, on the respective dates set forth herein and in the Prior Resolutions: (i) to make the principal payments required by Section 3.02(B)(2) of the Series 1979 Resolution, Section 5.03 (3) of the Series 1994 Resolution and Section 5.03(3) of the Series 1995 Resolution; and (ii) on the first day of each month commencing 4 months prior to the first date of payment of principal, to remit to the Commission, for deposit in the Series 1999 A Sinking Fund, a sum equal to 1/3rd of the amount of principal which will become due on the 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 1999 A Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payment 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. When additional series of Original Bonds are issued, the payment of principal on said bonds shall be made simultaneously with the payments described in this Section 5.03A(2) and to the extent that Revenues are insufficient to make all of the payments, such payments shall be made, pro rata, among each series of Bonds.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund an amount necessary to make, simultaneously and without preference or priority as between any of the deposits, the following deposits, on the respective dates set forth herein and in the Prior Resolutions: (i) to make the respective payments required by Section 3.02(B)(3) of the Series 1979 Resolution, Section 5.03(4) of the Series 1994 Resolution and Section 5.03(4) of the Series 1995 Resolution on account of the reserve accounts established for the Prior Bonds; and (ii) on the first day of each month commencing 4 months prior to the first date of payment of principal, to remit to the Commission, for deposit in the Series 1999 A Reserve Account, if not fully funded upon issuance of the Bonds, an amount equal to 1/120 of the Series 1999 A Reserve Requirement; provided, that no further payments shall be made into the Series 1999 A 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 1999 A Reserve Requirement. When additional series of Original Bonds are issued, the deposits on account of the reserve accounts established for said bonds shall be made simultaneously with the payments described in this Section 5.03A(3) and to the extent that Revenues are insufficient to make all of the payments, such payments shall be made, pro rata, among each series of Bonds.

(5) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, the Issuer shall transfer from the Revenue Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account pursuant to Section 5.03A(3) hereof; provided, that for so long as the Series 1979 Bonds are Outstanding and there has not been accumulated in the Renewal and Replacement Fund, or the balance therein has fallen below, the aggregate sum of $10,000, the Issuer shall transfer all moneys remaining in the Revenue Fund after the transfers described in Sections 5.03A(1), (2), (3) and (4) and not permitted to be retained therein. 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 for so long as the Series 1979 Bonds are Outstanding, withdrawals and disbursements from the Renewal and Replacement Fund may also be used to make up any deficiencies for monthly payments of principal and interest on the Series 1979 Bonds; and provided further, that any deficiencies in the respective reserve accounts (except to the extent such deficiencies exist 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 1999 A Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Series 1999 A Reserve Account shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Series 1999 A Sinking Fund are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in the Series 1999 A Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Project and thereafter, pro rata, to the Series 1999 A Sinking Fund.

Any withdrawals from the Series 1999 A Reserve Account which result in a reduction in the balance of the Series 1999 A Reserve Account to an amount below the Series 1999 A Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments to the Series 1999 A Sinking Fund for payment of debt service on the Bonds have been made in full.

B. As and when additional Bonds ranking on a parity with the Original Bonds are issued, provision shall be made for additional payments into the Series 1999 A Sinking Fund sufficient to pay any interest on such additional Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the Series 1999 A Reserve Account in an amount equal to the Series 1999 A Reserve Requirement.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1999 A Sinking Fund created hereunder, and all amounts required for said Series 1999 A Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1999 A Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution. In the

case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at any time, 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.

Moneys in the Series 1999 A Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The Series 1999 A Sinking Fund, including the Series 1999 A Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional Bonds ranking on a parity with them that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1999 A Sinking Fund, including the Series 1999 A Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the System.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due.

Simultaneously with the deposits made to the Commission pursuant to Section 5.03A(3) and (4), the Issuer shall remit to the Commission the SRF Administrative Fee.

The Issuer shall complete the "monthly payment form," which form is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its payment check to the Authority by the fifth day of each calendar month.

E. The moneys in excess of 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.

F. If, on any monthly payment date, the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments, in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

Section 5.04. Excess Bond Proceeds. Upon completion of construction of the Project, as certified by the Consulting Engineers, and after all costs have been paid, any remaining proceeds of the Series 1999 A Bonds shall be used as directed in writing by the Authority and the DEP.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. From the moneys received from time to time 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 Bonds, there shall be deposited with the Commission in the Series 1999 A Reserve Account the sums, if any, set forth in the Supplemental Resolution for funding of said Reserve Account.

B. The remaining moneys derived from the sale of the Original Bonds shall be deposited by the Issuer, as received from time to time, in the Bond Construction Trust Fund hereinafter established.

C. There is hereby created and established with the Depository Bank a special fund, designated the "Series 1999 A Bond Construction Trust Fund," with a separate subaccount to be established for the Original Bonds. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. 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 Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. With respect to the proceeds of the Bonds, 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 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund from proceeds of the Bonds (except for the cost of issuance of the Bonds which shall be made upon request of the Issuer) shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) A "Payment Requisition Form," attached to the Loan Agreement, and

(2) a certificate, signed by the Chairperson 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 disbursements 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.

B. 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 subaccounts 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 set forth in 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 owner or owners of the Bonds. In addition to the other covenants, agreements and provisions of this Resolution, the Issuer hereby covenants and agrees with the owners 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, if any, thereon, is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The 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 Resolution. No Holder or Holders of any 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. The payment of the debt service of the Original 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 Prior Bonds. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and the Prior Bonds and to make the payments into the sinking funds, including the reserve accounts therein, established for the Bonds and the Prior Bonds, and all other payments provided for in this Resolution and the Prior Resolutions, are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds and the Prior Bonds and for the other purposes provided in the Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bonds, equitable rates or charges for the use of and service rendered by the System will be established 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 reductions 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, including any reserves required by the PSC Order or any supplemental or

amendments thereto, and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds; provided that, in the event that amounts at least equal to or in excess of the respective Reserve Requirements are on deposit in the respective Reserve Accounts, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bonds.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures, for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof, from the revenues of said System, in the manner provided in the Resolution.

Upon completion of the Project, the Issuer shall file with the Authority a schedule, in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Project and sources of funds therefor.

Section 7.06. Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds Outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit, on a pro rata basis, in the Series 1999 A Sinking Fund and the sinking funds established for any Prior Bonds then Outstanding, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal and any interest, if any, at maturity of Bonds and Prior Bonds about to mature and to the redemption prior to maturity, at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds and Prior Bonds. Any balance remaining after the redemption or payment of all the Bonds and Prior Bonds and the 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 and, for so long as any of the Prior Bonds are Outstanding, to the extent the Prior Resolutions authorizing such Prior Bonds do not establish more restrictive provisions and limitations, 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. The Governing Body may then, if it be so advised, as evidenced by certificates of the Consulting Engineers, by resolution duly adopted, approve and concur in such finding and provide for the sale of such property if the amount to be received therefor is not in excess of ten thousand dollars ($10,000),or authorize such sale, lease or other disposition of such property, upon public bidding, if the amount to be received therefor is in excess of ten thousand dollars ($10,000) but not in excess of one hundred thousand dollars ($100,000). The proceeds of any such sale, lease or other

disposition of such property, not in excess of $100,000, shall be deposited in the Renewal and Replacement Fund. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $10,000 and not in excess of $100,000, shall be remitted by the Issuer to the Commission for deposit, or a pro rata basis, in the Series 1999 A Sinking Fund, the sinking funds for the Prior Bonds then Outstanding, and shall be applied only to the redemption of Bonds and Prior Bonds of the last maturities then Outstanding or to the purchase of Bonds and Prior Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds and Prior Bonds. Such payments of such proceeds into the Series 1999 A Sinking Fund, the sinking funds for the Prior Bonds then Outstanding, and 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 shall be in excess of two hundred thousand dollars ($200,000) and be insufficient to pay or redeem, prior to maturity, all the Bonds then Outstanding, without the prior approval and consent in writing of the owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66-2/3%) in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then owners of the Bonds, for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except pari passu additional Bonds provided for in Section 7.08 hereof, 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 Parity Bonds may be issued as provided in Section 7.08 hereafter. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Bonds to the extent such are Outstanding; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1999 A Reserve Account 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, except with respect to said pari passu additional Bonds, being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Resolution or upon the System or any part thereof.

The Issuer shall give the Authority and the DEP prior written notice of its issuance 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 any other obligations related to the Project or the System.

Section 7.08. Parity Bonds. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Resolution, except under the conditions and in the manner herein provided and with the prior written consent of DEP and the Authority.

No Parity Bonds shall be issued, except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent 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, from the System during any twelve (12) consecutive months within the eighteen (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 three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) Each series of Original Bonds and Prior 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 three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have 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 additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of

increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have 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 acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

All the 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 owners of the Original Bonds and the owners of any Parity Bonds subsequently issued, from time to time, within the limitations of and in compliance with this Section. All the Bonds, regardless of the time or times of their issuance shall rank equally with respect to their respective liens on the revenues of the System, and their respective sources of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds created in this Resolution required for and on account of such additional 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 the revenues of the System is subject to the prior and superior lien of the Outstanding Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bonds.

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

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will 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 the DEP, so long as the Authority is the Owner of the Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and 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, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their

interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer shall also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

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.

Section 7.10. Consulting Engineers. 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. Such resident engineer shall certify to the Authority, the DEP and the Issuer, 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 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, the form of which is attached as Exhibit A to the Loan Agreement and is incorporated herein by reference, 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 it will, at all times, provide operation and maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel, properly certified by the State, will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

The Issuer agrees that qualified operating personnel, properly certified by the State, will be retained to operate the System during the entire term of the Loan Agreement.

Section 7.11. Compliance With Loan Agreement, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and 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 construction of the Project and operation, maintenance and use of the System. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

Section 7.12. No Free Services. Except as provided by law, the Issuer will not render or cause to be rendered any free services, of any nature, by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself 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. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. 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, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the PSC applicable thereto, discontinue and shut off the services and facilities of the System to all delinquent users of the services and facilities of the System, and will not restore the services and facilities of the System to all delinquent users until all delinquent charges, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, 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 7.15. 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 Agreement or 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 owner of a Bond or Bonds issued pursuant to the Resolution shall have the right, at all reasonable times, to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC 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 the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Bonds or other obligations Outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants in compliance with the applicable OMB Circular, or any successors thereto, and the Single Audit Act, or any successors thereto, and shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority, the Infrastructure Council and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, each month complete a Monthly Financial Report and forward a copy by the 10th of each month to the Authority and the DEP.

The Issuer shall, during construction of the Project, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

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 7.16. Operating Budget. The Issuer shall, annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the 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 Governing Body shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made, except

upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and 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 Bureau for Public 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 PSC 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 matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Bureau for Public 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 7.18. Statutory Mortgage Lien. For the further protection of the Bondholders, a statutory mortgage lien upon the System is granted and created by the Bond Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds.

Section 7.19. PSC Order. The Issuer shall comply with the conditions of the PSC Order and any supplement or amendment thereto.

Section 7.20. Covenant to Amend Resolution. The Issuer retains the right to make any amendments, insertions or deletions by Supplemental Resolution of this Resolution as the Issuer deems necessary prior to the issuance of the Bonds to meet the requirements of the Authority.

Section 7.21. Compensation of the Issuer. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body of the Issuer in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is a default in the performance of or compliance with any covenants or provision hereof.

Section 7.22. Securities Law 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).

ARTICLE VIII

INVESTMENT OF FUNDS

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

Except as specifically provided herein, 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, including but not limited to those in the Bond Construction Trust Fund, and used for the purpose of such fund or account. 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 Owner, including the value of accrued interest and giving effect to the amortization of discount and investments in the "consolidated fund" of the West Virginia Investment Management Board shall be valued at par. The Commission or the Depository Bank, 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. Such Depository Bank 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.

Notwithstanding the foregoing, any investments made pursuant to this Resolution shall comply with the guidelines of the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

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

(A) If default occurs in the due and punctual payment of the principal of or interest on any series of Original Bonds; or

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to such Bonds set forth in this Resolution, any supplemental Resolution, or in such 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 any bank or banking association holding any fund or account hereunder or an owner of such Bonds; or

(C) If a default occurs under the Prior Resolutions; or

(D) 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 with respect to any Bonds, any Registered Owner of such 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 Resolution relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon such 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 such Bonds, and (v) by action or bill in equity, enjoin any acts in violation of the Resolution with respect to such Bonds, or the rights of such registered Owners; provided that all rights and remedies of the Registered Owners shall be subject to and parity with those of the Registered Owners of the Prior Bonds..

Section 9.03. Appointment of Receiver. Any Bondholder may, by proper legal action, compel the performance of the duties of the Issuer under the Resolution and the Act, including 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 default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any

covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder 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 Bonds and any interest thereon, 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 the Resolution and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said 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 the Resolution and interest thereon and under any covenants of the Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of 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 owner of Bonds issued pursuant to this Resolution 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, 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 Owners of Bonds issued pursuant to the 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 Bondholders, and the curing and making good of any default under the provisions of the 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.

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 Owners of all Bonds the principal thereof, and redemption premium, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of Net Revenues and any other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient to pay, as and when due, the principal of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section. All 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 agents, 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 and interest due and to become due on said Bonds on and prior to 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 purposes other than, and shall be held in trust for, the payment of the principal of and redemption premium, if applicable, on and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if applicable, on and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Issuer, as received by the Commission, 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. Modification or Amendment. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto which would materially and adversely affect the rights of Bondholders shall be made without the consent in writing of the owners of two-thirds (2/3) or more in principal amount of the Bonds then Outstanding and to be affected by said modification; provided, however, that no change shall be made in the maturity of any Bond or the rates of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, as provided in this Resolution without the consent of the owner thereof. No amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications.

Section 11.02. 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 11.03. Table of Contents and Headings. The Table of Contents and the 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 11.04. Repeal of Conflicting Resolutions. All resolutions, resolutions and orders, or parts thereof, in conflict with this Resolution are, to the extent of such conflict, repealed.

Section 11.05. Covenant of Due Procedure. 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 final enactment and passage of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairperson, the 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 11.06. Effective Date. This Resolution shall take effect immediately upon its adoption.

CHELYAN PUBLIC SERVICE DISTRICT

[SEAL]

Chairperson, Public Service Board

Samuel L. Skelton
Secretary, Public Service Board

Treasurer, Public Service Board

CHASFS3:149167

CERTIFICATION

Certified as a true copy of the Resolution adopted by the Public Service Board of Chelyan Public Service District.

Samuel L. Shelton
Secretary, Public Service Board

[SEAL]

CHASFS3:146782

EXHIBIT A

Project Description

The Project consists of certain additions and extensions to the existing sewer collection facilities of the Issuer in the communities of Dry Branch, Ronda, Sharon, Miami and Dawes, and will extend sewer service to approximately 650 new residential, commercial and industrial customers. Approximately 80,000 LF of sanitary sewer collection lines, 10,000 LF of forcemains, and nine pumping stations will be constructed. Two existing pump stations will be upgraded to accommodate increased flows resulting from the additional customers. The new facilities will be connected to the Issuer's existing wastewater treatment plant.

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

REGISTRY

BOND NO.	AMOUNT	HOLDER	DATE ISSUED
R-1	$3,118,574	West Virginia Water Development Authority	June 4, 2002

$3,118,574
CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002
(WEST VIRGINIA INFRASTRUCTURE FUND)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

The undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the undersigned Chairwoman of the Chelyan Public Service District (the "District"), for and on behalf of the District, hereby certify as follows:

1. On the 4th day of June, 2002, at Charleston, West Virginia, the Authority received the Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), issued as a single, fully-registered bond, numbered R-1, in the principal amount of $3,118,574, dated as of the date hereof (the "Bond"). The Bond represents the entire above-captioned Bond issue.

2. At the time of such receipt, the Bond had been executed and sealed by the designated officials of the District.

3. The District hereby acknowledges receipt from the Authority of the sum of $162,837, being a portion of the aggregate principal amount of the Bond. The balance of the principal amount of the Bond will be advanced by the Authority and the Council to the District as the design of the Project progresses.

WITNESS my signature on this 4th day of June, 2002.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY,
on behalf of the West Virginia Infrastructure and Jobs Development Council

By: Daniel B. Lyon Bosh
Director

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Chairwoman

(10/2/01)

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").

CHELYAN PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

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

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is

outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

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

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the 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 10th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan;
Issuance of Local Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or

otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

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

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

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

(b) Covenants substantially as follows:

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

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

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if

the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

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

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that 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 Operating Expenses and debt service and reserve requirements;

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

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

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

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

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

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

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

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross

income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

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

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

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

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

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

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has

received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority and the Council in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the

circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority and the Council shall have the right to cancel all or any of their obligations under this Loan Agreement if (a) any representation made to the Authority and the Council by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the Act or this Loan Agreement.

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

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

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

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

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

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

7.10 This Loan Agreement shall terminate upon the earlier of:

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

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

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

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

CHELYAN PUBLIC SERVICE DISTRICT

(SEAL)

By: Joyce McPhail
Its: Chairperson

Attest:

Date: 6·04·02

Samuel L. Shelton
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: [illegible]
Its: Director

Attest:

Date: 6·04·02

Barbara B. Meadows
Its: Secretary-Treasurer

00832/00466
05/24/02

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

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

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

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

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

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

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

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

[SEAL]

_____

By: _____
West Virginia License No. _____

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

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

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

Ladies and Gentlemen:

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

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

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

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

ITEM	CURRENT MONTH	TOTAL YEAR TO DATE	BUDGET YEAR TO DATE	BUDGET YEAR MINUS YEAR TO DATE
1. Gross Revenues Collected				
2. Operating Expenses				
3. Other Bond Debt Payments (including Reserve Account Deposits)				
4. Bond Payments (include Reserve Account Deposits)				
5. Renewal and Replacement Fund Deposit				

Witnesseth my signature this ___ day of _____, _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Instructions for Completing Monthly Financial Report

1. You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual gross revenues for the current month and the total amount year to date in the respective columns. Divide the budgeted annual gross revenues by 12. For example, if gross revenues of $1,200 are anticipated to be received for the year, each month the base would be increased by $100 (1200/12). This is the incremental amount for the Budget Year to Date column.

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

3. In Item 3, provide the principal, interest and reserve account payments for all the outstanding bonds of the Governmental Agency other than this Loan.

4. In Item 4, provide the principal, interest and reserve account payments for this Loan. You need to call the Municipal Bond Commission for the exact amount of these payments and when they begin.

5. In Item 5, provide the amount deposited into the Renewal and Replacement Fund each month. This amount is equal to 2.5% of gross revenues minus the total reserve account payments included in Items 3 and 4. If gross revenues are $12,000, the Renewal and Replacement Fund should have an amount of $300 (2.5% of $12,000), LESS the amount of all reserve account payments in Items 3 & 4. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

6. The Governmental Agency must complete the Monthly Financial Report and forward it to the Council by the 10th day of each month, commencing on the date contracts are executed for the construction of the Project and for 2 years following the completion of the Project. The Council will notify the Governmental Agency when the Monthly Financial Report no longer needs to be filed.

EXHIBIT D

[Monthly Payment Form]

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

Re: [Name of bond issue]

Ladies and Gentlemen:

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

Sinking Fund:

Interest	$____
Principal	$____
Total:	$____
Reserve Account:	$____

Witness my signature this _____day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds	$3,118,574
Purchase Price of Local Bonds	$3,118,574

The Local Bonds shall bear no interest. Commencing March 1, 2004, principal of the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

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

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

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

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

1. Sewerage System Revenue Bonds, Series 1994 A, dated April 22, 1994, issued in the original principal amount of $1,023,500.

2. Sewerage System Revenue Bonds, Series 1994 B, dated April 22, 1994, issued in the original principal amount of $175,276.

3. Sewerage System Revenue Bonds, Series 1995 A, dated June 29, 1995, issued in the original principal amount of $643,000.

4. Sewerage System Revenue Bonds, Series 1999 A (West Virginia SRF Extended Bond Purchase Program), dated July 15, 1999, issued in the original principal amount of $2,518,000.

SCHEDULE Y

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2002	-	-	-
12/01/2002	-	-	-
3/01/2003	-	-	-
6/01/2003	-	-	-
9/01/2003	-	-	-
12/01/2003	-	-	-
3/01/2004	20,250.49	-	20,250.49
6/01/2004	20,250.49	-	20,250.49
9/01/2004	20,250.49	-	20,250.49
12/01/2004	20,250.49	-	20,250.49
3/01/2005	20,250.49	-	20,250.49
6/01/2005	20,250.49	-	20,250.49
9/01/2005	20,250.49	-	20,250.49
12/01/2005	20,250.49	-	20,250.49
3/01/2006	20,250.48	-	20,250.48
6/01/2006	20,250.48	-	20,250.48
9/01/2006	20,250.48	-	20,250.48
12/01/2006	20,250.48	-	20,250.48
3/01/2007	20,250.48	-	20,250.48
6/01/2007	20,250.48	-	20,250.48
9/01/2007	20,250.48	-	20,250.48
12/01/2007	20,250.48	-	20,250.48
3/01/2008	20,250.48	-	20,250.48
6/01/2008	20,250.48	-	20,250.48
9/01/2008	20,250.48	-	20,250.48
12/01/2008	20,250.48	-	20,250.48
3/01/2009	20,250.48	-	20,250.48
6/01/2009	20,250.48	-	20,250.48
9/01/2009	20,250.48	-	20,250.48
12/01/2009	20,250.48	-	20,250.48
3/01/2010	20,250.48	-	20,250.48
6/01/2010	20,250.48	-	20,250.48
9/01/2010	20,250.48	-	20,250.48
12/01/2010	20,250.48	-	20,250.48
3/01/2011	20,250.48	-	20,250.48
6/01/2011	20,250.48	-	20,250.48
9/01/2011	20,250.48	-	20,250.48
12/01/2011	20,250.48	-	20,250.48
3/01/2012	20,250.48	-	20,250.48
6/01/2012	20,250.48	-	20,250.48
9/01/2012	20,250.48	-	20,250.48
12/01/2012	20,250.48	-	20,250.48
3/01/2013	20,250.48	-	20,250.48
6/01/2013	20,250.48	-	20,250.48
9/01/2013	20,250.48	-	20,250.48
12/01/2013	20,250.48	-	20,250.48
3/01/2014	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2014	20,250.48	-	20,250.48
9/01/2014	20,250.48	-	20,250.48
12/01/2014	20,250.48	-	20,250.48
3/01/2015	20,250.48	-	20,250.48
6/01/2015	20,250.48	-	20,250.48
9/01/2015	20,250.48	-	20,250.48
12/01/2015	20,250.48	-	20,250.48
3/01/2016	20,250.48	-	20,250.48
6/01/2016	20,250.48	-	20,250.48
9/01/2016	20,250.48	-	20,250.48
12/01/2016	20,250.48	-	20,250.48
3/01/2017	20,250.48	-	20,250.48
6/01/2017	20,250.48	-	20,250.48
9/01/2017	20,250.48	-	20,250.48
12/01/2017	20,250.48	-	20,250.48
3/01/2018	20,250.48	-	20,250.48
6/01/2018	20,250.48	-	20,250.48
9/01/2018	20,250.48	-	20,250.48
12/01/2018	20,250.48	-	20,250.48
3/01/2019	20,250.48	-	20,250.48
6/01/2019	20,250.48	-	20,250.48
9/01/2019	20,250.48	-	20,250.48
12/01/2019	20,250.48	-	20,250.48
3/01/2020	20,250.48	-	20,250.48
6/01/2020	20,250.48	-	20,250.48
9/01/2020	20,250.48	-	20,250.48
12/01/2020	20,250.48	-	20,250.48
3/01/2021	20,250.48	-	20,250.48
6/01/2021	20,250.48	-	20,250.48
9/01/2021	20,250.48	-	20,250.48
12/01/2021	20,250.48	-	20,250.48
3/01/2022	20,250.48	-	20,250.48
6/01/2022	20,250.48	-	20,250.48
9/01/2022	20,250.48	-	20,250.48
12/01/2022	20,250.48	-	20,250.48
3/01/2023	20,250.48	-	20,250.48
6/01/2023	20,250.48	-	20,250.48
9/01/2023	20,250.48	-	20,250.48
12/01/2023	20,250.48	-	20,250.48
3/01/2024	20,250.48	-	20,250.48
6/01/2024	20,250.48	-	20,250.48
9/01/2024	20,250.48	-	20,250.48
12/01/2024	20,250.48	-	20,250.48
3/01/2025	20,250.48	-	20,250.48
6/01/2025	20,250.48	-	20,250.48
9/01/2025	20,250.48	-	20,250.48
12/01/2025	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2026	20,250.48	-	20,250.48
6/01/2026	20,250.48	-	20,250.48
9/01/2026	20,250.48	-	20,250.48
12/01/2026	20,250.48	-	20,250.48
3/01/2027	20,250.48	-	20,250.48
6/01/2027	20,250.48	-	20,250.48
9/01/2027	20,250.48	-	20,250.48
12/01/2027	20,250.48	-	20,250.48
3/01/2028	20,250.48	-	20,250.48
6/01/2028	20,250.48	-	20,250.48
9/01/2028	20,250.48	-	20,250.48
12/01/2028	20,250.48	-	20,250.48
3/01/2029	20,250.48	-	20,250.48
6/01/2029	20,250.48	-	20,250.48
9/01/2029	20,250.48	-	20,250.48
12/01/2029	20,250.48	-	20,250.48
3/01/2030	20,250.48	-	20,250.48
6/01/2030	20,250.48	-	20,250.48
9/01/2030	20,250.48	-	20,250.48
12/01/2030	20,250.48	-	20,250.48
3/01/2031	20,250.48	-	20,250.48
6/01/2031	20,250.48	-	20,250.48
9/01/2031	20,250.48	-	20,250.48
12/01/2031	20,250.48	-	20,250.48
3/01/2032	20,250.48	-	20,250.48
6/01/2032	20,250.48	-	20,250.48
9/01/2032	20,250.48	-	20,250.48
12/01/2032	20,250.48	-	20,250.48
3/01/2033	20,250.48	-	20,250.48
6/01/2033	20,250.48	-	20,250.48
9/01/2033	20,250.48	-	20,250.48
12/01/2033	20,250.48	-	20,250.48
3/01/2034	20,250.48	-	20,250.48
6/01/2034	20,250.48	-	20,250.48
9/01/2034	20,250.48	-	20,250.48
12/01/2034	20,250.48	-	20,250.48
3/01/2035	20,250.48	-	20,250.48
6/01/2035	20,250.48	-	20,250.48
9/01/2035	20,250.48	-	20,250.48
12/01/2035	20,250.48	-	20,250.48
3/01/2036	20,250.48	-	20,250.48
6/01/2036	20,250.48	-	20,250.48
9/01/2036	20,250.48	-	20,250.48
12/01/2036	20,250.48	-	20,250.48
3/01/2037	20,250.48	-	20,250.48
6/01/2037	20,250.48	-	20,250.48
9/01/2037	20,250.48	-	20,250.48

Chelyan Public Service District (West Virginia)

Loan of $3,118,574
40 Years, 0% Interest Rate
Closing Date: June 4, 2002

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2037	20,250.48	-	20,250.48
3/01/2038	20,250.48	-	20,250.48
6/01/2038	20,250.48	-	20,250.48
9/01/2038	20,250.48	-	20,250.48
12/01/2038	20,250.48	-	20,250.48
3/01/2039	20,250.48	-	20,250.48
6/01/2039	20,250.48	-	20,250.48
9/01/2039	20,250.48	-	20,250.48
12/01/2039	20,250.48	-	20,250.48
3/01/2040	20,250.48	-	20,250.48
6/01/2040	20,250.48	-	20,250.48
9/01/2040	20,250.48	-	20,250.48
12/01/2040	20,250.48	-	20,250.48
3/01/2041	20,250.48	-	20,250.48
6/01/2041	20,250.48	-	20,250.48
9/01/2041	20,250.48	-	20,250.48
12/01/2041	20,250.48	-	20,250.48
3/01/2042	20,250.48	-	20,250.48
6/01/2042	20,250.48	-	20,250.48
Total	**3,118,574.00**	**-**	**3,118,574.00**

YIELD STATISTICS

Bond Year Dollars	$65,074.24
Average Life	20.867 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	2.01E-10
Bond Yield for Arbitrage Purposes	2.01E-10
All Inclusive Cost (AIC)	2.01E-10

IRS FORM 8038

Net Interest Cost	-
Weighted Average Maturity	20.867 Years

SCHEDULE Z

None.

Division of Water Resources
1201 Greenbrier Street
Charleston, West Virginia 25311-1088
Telephone: (304) 558-8855 or 558-4086
Fax: (304) 558-5903

West Virginia Department of Environmental Protection

Bob Wise
Governor

Michael O. Callaghan
Secretary

March 7, 2002

Miss Joyce L. McPhail, Chairperson
Chelyan PSD
PO Box 8
Cabin Creek, WV 25035

CERTIFIED RETURN RECEIPT REQUESTED
Re: WV/NPDES Permit No. WV0038776
Modification No. 1

Dear Ms. McPhail:

Enclosed find WV/NPDES Water Pollution Control Permit Modification No. 1, dated the 7th day of March 2002, to WV/NPDES Water Pollution Control Permit No. WV0038776.

As you are aware, a meeting was held on the 26th day of January 2002, between representatives of the Chelyan PSD and this Office, to discuss comments on the draft WV/NPDES Water Pollution Control Permit Modification. In response to those comments, we present the following. The response has been categorized, and comments have been addressed, with reference to, and in numerical order of, the specific concern.

Comment No. 1 - Page 2 of the Modification, Item 4; Monitoring Start-Up
The final WV/NPDES Water Pollution Control Permit Modification has been revised to incorporate the recommended changes.

Comment No. 2 - Page 10A of 17 of the Permit, Items 29.a.2 and 29.a.5.; Further Monitoring Start-Up Specifics
The final WV/NPDES Water Pollution Control Permit Modification has been revised to incorporate the recommended changes.

If you should have any questions in this regard, please do not hesitate to contact Matt Sweeney of this office at (304) 558-4086.

Sincerely,

Allyn G. Turner,
Director

AGT:mls
Enclosures

cc: Environmental Enforcement Supervisor
Environmental Enforcement Inspector

Division of Water Resources
1201 Greenbrier Street
Charleston, West Virginia 25311-1088
Telephone: (304) 558-8855 or 558-4086
Fax: (304) 558-5

West Virginia Department of Environmental Protection

Bob Wise
Governor

Michael O. Callaghan
Secretary

March 7, 2002

Miss Joyce L. McPhail, Chairperson
Chelyan PSD
PO Box 8
Cabin Creek, WV 25035

Re: WV/NPDES Permit No. WV0038776
Modification No. 1

Dear Ms. McPhail:

This serves as Modification No. 1 of your WV/NPDES Permit No. WV0038776, dated the 19th day of June 2000. Please note the incorporation of percent removal for BOD and Suspended Solids into the effluent limitations for the expanded wastewater treatment plant discharge from Outlet 002.

After careful review of all information accompanying Permit No. WV0038776, and after receipt and review of Modification Application No. WV0038776-A dated the 20th day of September 2000 and other rele t information, the subject Permit is hereby modified to incorporate, and effectuate, the following data and changes, respectively.

1. To acquire, construct, install, operate, and maintain a wastewater collection system comprised of approximately 27,000 linear feet of eight (8) inch diameter gravity sewer line, 5,000 linear feet of six (6) inch diameter gravity sewer line, 200 linear feet of six (6) inch diameter ductile iron line, 10,500 linear feet of six (6) inch diameter force main, 4,000 linear feet of four (4) inch diameter force main , 6,200 linear feet of three (3) inch diameter force main, 1,400 linear feet of one and one-half (1½) inch diameter force main, 188 manholes, ten (10) grinder pump stations, five (5) duplex pump stations, and other appurtenances necessary to complete the project.

   These facilities are to serve a population equivalent of approximately 1,400 persons in the communities of Giles, Ohley, Eskdale, and Leewood, and convey wastewater to the Chelyan PSD upgraded wastewater treatment plant, for subsequent treatment and discharge from Outlet 002, to the Kanawha River at Milepoint 73.2.

2. To acquire, construct, install, operate and maintain an upgrade to the existing wastewater treatment plant to be comprised of two (2) contact stabilization basins, four (4) 28'-0 diameter by 10'-0 sidewater depth clarifiers, one (1) UV disinfection unit, one (1) return activated sludge pumping station, administration building modifications, a new garage, and related appurtenances.

   The wastewater treatment plant upgrade project, further, contains a provision for an alternate, to be comprised of two (2) contact stabilization basins, two (2) 36'-0 diameter by 12'-0 sidewater depth clarifiers, one (1) UV disinfection unit, one (1) return activated sludge pumping station, administration building modifications, a new garage, and related appurtenances. The acquisition, construction, and installation of this alternate is dependent upon the availability of funds from the base project. Subsequently, permitting procedures relative to the acquisition, construction, installation, operation and maintenance of the alternate shall be afforded as an integral part of this Permit Modification. The Chelyan PSD shall provide this Office with written notification, within 90 days from the completion of the project, advising if the alternate was implemented. The Permit record shall, thereby, be amended accordingly.

   Upon completion of the wastewater treatment plant improvements, the plant will be a 1.63 MGD wastewater treatment plant. Upon completion of the extension and upgrade, Outlet 001 shall be redesignated as Outlet 002.

3. The wastewater collection system and wastewater treatment plant project shall be constructed in accordance with the plans and specifications, approved the 5th day of January 2001 and 27th day of December 2001 respectively, and any approved addenda, thereto, prepared by S&S Engineers Inc.; 501 Eagle Mountain Road; Charleston, WV 25311, and entitled "Chelyan PSD; Cabin Creek Sewer Extension Project; Contract No. 98-3 - Collection System – Giles, Ohley, Eskdale Area; Contract No. 98-4 - Collection System – Leewood Area; Contract 5 - Wastewater Treatment Plant Upgrade; IJDC Project No. 97S-286."

4. Upon completion of construction of the upgraded wastewater treatment plant, the existing Outlet No. 001 shall be redesignated as Outlet 002. Six (6) months after the completion of the plant upgrade, Section A.1, on page 3 of 17, of the WV/NPDES Water Pollution Control Permit shall be rescinded and superceded by Section A.2, found on pages 3A and 3B of 17.

Enclosed are incorporated pages 3A and 3B of 17, revised page 6 of 17, incorporated pages 10A and 10B of 17, along with an incorporated Discharge Monitoring Report. Further, Section C has been revised to incorporate the requirements relative to the permitting procedures being implemented herein. These documents shall supersede the ones currently in your possession, and be incorporated, as appropriate, into your existing Permit.

If you should have any questions in this regard, please do not hesitate to contact Matt Sweeney of this office at (304) 558-4086.

Sincerely,

Allyn G. Turner

Allyn G. Turner,
Director

AGT:mls

Enclosures

cc: Environmental Enforcement Supervisor
Environmental Enforcement Inspector

A.2 Disc ge Limitations and Monitoring Requirements

During the period beginning 6 months after upgrade completion **and lasting through midnight** June 18, 2005 **the permittee is authorized to discharge for outlet number(s): 002 (discharge from upgraded sewage treatment facilities)**

Such discharges shall be limited and monitored by the permittee as specified below:

Effluent Characteristic	Discharge Limitations (Quantity) lbs/day Avg. Monthly	Max Daily	Other Units (specify) Avg. Monthly	Max Daily		Monitoring Requirements Measurement Frequency	Sample Type
Flow	N/A	N/A	Monitor	Monitor	MGD	Continuous	Measured
Biochemical Oxygen Demand, 5-Day	408.0	816.0	30.0	60.0	mg/l	1/Month	8 Hr. Composite
Total Suspended Solids	408.0	816.0	30.0	60.0	mg/l	1/Month	8 Hr. Composite
BOD, % Removal [4]	N/A	N/A	85	N/A	%	1/Month	Calculated
Solids, % Removal [4]	N/A	N/A	85	N/A	%	1/Month	Calculated
Nitrogen, Ammonia	204.0	408.0	15.0	30.0	mg/l	1/Month	8 Hr. Composite
Fecal Coliform	N/A	N/A	200	400	Counts/ 100ml	1/Month	Grab
Copper, Total Recoverable[1]	N/A	N/A	Monitor	Monitor	mg/l	1/Quarter	8 Hr. Composite
Lead, Total Recoverable[1]	N/A	N/A	Monitor	Monitor	mg/l	1/Quarter	8 Hr. Composite
Zinc, Total Recoverable[1]	N/A	N/A	Monitor	Monitor	mg/l	1/Quarter	8 Hr. Composite

1 Refer to Section C.15
2 Refer to Section C.29
4 Refer to Section C.30

The pH shall not be less than 6.0 **standard units and not more than** 9.0 **standard units and shall be monitored by grab sampling** 1/month

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s):
Effluent BOD_5 samples shall be collected at a location immediately preceding disinfection. All other effluent samples shall be collected at, or as near as possible to, the point of discharge.

This discharge shall not cause violation of Title 46, Series 1, Section 3, of the West Virginia Legislative Rules issued pursuant to Chapter 22B, Article 3.

A.2 Discharge Limitations and Monitoring Requirements

During the period beginning 6 months after upgrade completion **and lasting through midnight** June 18, 2005 **the permittee is authorized to discharge for outlet number(s): 002 continued (discharge from upgraded sewage treatment facilities)**

Such discharges shall be limited and monitored by the permittee as specified below:

Effluent Characteristic	Discharge Limitations (Quantity) lbs/day Avg. Monthly	Max Daily	Other Units (specify) Avg. Monthly	Max Daily		Monitoring Requirements Measurement Frequency	Sample Type
Cadmium, Total Recoverable[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Chromium, Hexavalent[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Nickel, Total Recoverable[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Silver, Total Recoverable[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Mercury, Total[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Arsenic, Total[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	8 Hr. Composite
Free Cyanide[2]	N/A	N/A	Monitor	Monitor	mg/l	1/Month	Grab
Hardness, Total[3]	N/A	N/A	N/A	Monitor	mg/l	1/Month	Grab

2 Refer to Section C.29
3 Refer to Section C.31

The pH shall not be less than 6.0 **standard units and not more than** 9.0 **standard units and shall be monitored by grab sampling** 1/month

Samples taken in compliance with the monitoring requirements specified above shall be taken at the following location(s):
Effluent BOD_5 samples shall be collected at a location immediately preceding disinfection. All other effluent samples shall be collected at, or as near as possible to, the point of discharge.

This discharge shall not cause violation of Title 46, Series 1, Section 3, of the West Virginia Legislative Rules issued pursuant to Chapter 22B, Article 3.

11. The arithmetic mean of values for effluent samples collected in a period of seven (7) consecutive days for Outlets 001/002 shall not exceed 45.0 mg/l for BOD_5, 45.0 mg/l for TSS, and 22.5 mg/l for NH_3N.

12. The average daily design flow for the existing and expanded plant has been established at **0.815** million gallons per day (MGD) and **1.63** MGD respectively. When the average effluent flow reported on the Discharge Monitoring Reports (DMRs) reaches or exceeds 90 percent of the above stated design flow (0.7335 MGD for the existing plant and 1.47 MGD for the expanded plant) during three (3) consecutive monthly periods, the permittee shall submit a Plan of Action to the Chief. The Plan of Action shall present, at a minimum, an analysis of the current loadings on the plant - both hydraulic and organic, an analysis of the future projected loadings on the plant, and a Schedule of Tasks for all implementation procedures needed to maintain satisfactory treatment levels.

13. Any future collection system extensions projected to cause an increase in the wastewater flow equal to or greater than 40,750 GPD for the existing plant and 81,500 GPD for the expanded plant (5% of average design flow) shall require the permittee to contact the Chief to secure approval of the extension. After consideration of the complexity of the project and the available treatment capacity of the facility, the Chief may require the permittee to seek approval through Modification of the Permit.

14. Effluent monitoring for the Copper, Lead, and Zinc parameters shall be conducted using the most sensitive methods and detection levels commercially available and economically feasible. The following methods and detection levels are offered as a guide:

Parameter	EPA Method No.	Recommended Detection Level µg/l
Copper (TR)	220.2	1
Lead (TR)	239.2	1
Zinc (TR)	289.2	1

15. The analytical test procedures, set forth in 40 CFR Part 136, prescribes colorimetric methods for certain parameters. The digestion process for the performance of total recoverable is not sufficient for the utilization of a colorimetric procedure. Therefore, colorimetric procedures shall not be acceptable for the analysis of parameters prescribed as total recoverable.

16. Over the term of this permit, the permittee is allowed up to one excursion of the maximum daily fecal coliform effluent limitation prescribed in Section A. The number of allowed excursions is based upon 1% of the number of required self-monitoring events. Utilization of the excursion allowance is conditioned as follows.
    a) Excursion allowances are afforded only to self-monitoring results and only when self-monitoring activities assess compliance with the maximum daily effluent limitation via analysis of an individual grab sample. No excursion allowance can be applied to analytical results obtained by representatives of the Chief in the performance of their compliance assessment activities. Additionally, representatives of the Chief may assess compliance with the maximum daily effluent limitation via collection and analysis of an individual grab sample.
    b) The excursion allowance is contingent upon the permittee's prompt return to compliance as evidenced by the next required fecal coliform self-monitoring event.
    c) The result for which an excursion allowance is claimed shall be included in the calculation of the average monthly effluent value.

28. For the measurement of Free Cyanide, the permittee shall use the standard method for weak acid dissociable cyanide, as specified in the latest edition of Standard Methods.

29. The Director is required to include effluent discharge limitations in WV/NPDES Water Pollution Control Permits for all priority pollutants, that are present in amounts that could potentially cause violation of Water Quality Standards. Certain pollutants are known to be present in Publicly Owned Treatment Works treatment systems. At the time of issuance of this Permit, the Director did not have adequate information to determine if the pollutants are present in the effluent in amounts that would jeopardize Water Quality Standards. Further, uncertainty exists relative to the amounts of pollutants in the receiving stream upstream of the existing Outlet 001 or expanded Outlet 002. Therefore, the Director is deferring assessment of water quality-based effluent limitations for priority pollutants, pending receipt of additional information.

    A phased information generation procedure is proposed herein. The first phase involves the collection of effluent data to determine if pollutants are potentially present in the effluent in amounts exceeding Water Quality Standards. The specifics relative to effluent monitoring are contained in Section C.29.a, below. If the effluent potentially contains priority pollutants in amounts above Water Quality Standards, then the Director will consider the feasibility of utilizing complete mix.

    a. The Director will determine if there is reasonable potential for any priority pollutant to be present in the existing Outlet 001 or expanded Outlet 002 in amounts exceeding applicable Water Quality Standards. The Director's assessment will be based upon the effluent data collected and generated by the permittee, and the statistical procedures of the Environmental Protection Agency's Technical Support Document for Water Quality-based Toxics Control.

        1) The permittee shall monitor the effluent discharge of the existing Outlet 001 or expanded Outlet 002 for Total Recoverable Cadmium, Hexavalent Chromium, Total Recoverable Copper, Total Recoverable Lead, Total Recoverable Nickel, Total Recoverable Silver, Total Recoverable Zinc, Total Mercury, Total Arsenic, Free Cyanide, and Total Hardness.

        2) The effluent monitoring shall be performed during the period beginning, six months after the completion of the plant upgrade, and lasting through, a minimum of twelve (12) test results for each pollutant. The monitoring requirements measurement frequency shall be once per month (1/month) and once per quarter (1/quarter) for copper, lead, and zinc, and the sample type shall be eight (8) hour composite.

        3) Unless otherwise specified herein, sample collection, preservation, and analysis shall be conducted in accordance with the procedures of 40 CFR Part 136. The permittee shall assure that the test procedure being utilized has an appropriate method detection level (MDL) for the parameters. Analyses shall be conducted using the most sensitive methods and detection levels commercially available, and economically feasible. The following methods and detection levels are offered as a guide.

Parameter	EPA Method No.	Detection Level (ug/l)
Cadmium, Total Recoverable	213.2	0.2
Chromium, Hexavalent	218.4	1
Nickel, Total Recoverable	249.2	3
Silver, Total Recoverable	272.2	0.2
Mercury, Total	245.1	0.2
Arsenic, Total	206.2	2
Cyanide, Free	See Section C.28	See Section C.28
Copper, Lead, Zinc; Total Recoverable	See Condition C.14	See Condition C.14

4) The analytical test procedures, set forth in 40 CFR Part 136, prescribes colorimetric methods for certain parameters. The digestion process for the performance of total recoverable is not sufficient for the utilization of a colorimetric procedure. Therefore, colorimetric procedures shall not be acceptable for the analysis of parameters prescribed as total recoverable.

5) The permittee shall perform the analyses of the effluent discharge, as prescribed in Section C.29, and shall, on, or before, the 18th day of June 2005, submit to the Director, a written summarization of the sampling data in the form of a permit modification or with the reissuance of the permit. Thereupon, the Director shall perform a reasonable potential assessment and implement any water quality based effluent limitations or reduce monitoring frequency as may be necessary.

30. The permittee shall be required to test the Outlet 002 wastewater treatment plant influent, in order to calculate the percent (%) removal parameters for five (5) day Biochemical Oxygen Demand and Total Suspended Solids, as prescribed on Page 3A of this Permit. Influent sampling requirements shall include the following:

    a. Influent Biochemical Oxygen Demand Five (5) Day and Total Suspended Solids samples shall be collected on a monthly basis.

    b. Influent Biochemical Oxygen Demand Five (5) Day and Total Suspended Solids sampling shall be collected using the same sample type as required in Page 3A of this Permit for effluent Biochemical Oxygen Demand Five (5) Day and Total Suspended Solids samples.

    c. Influent Biochemical Oxygen Demand Five (5) Day and Total Suspended Solids sampling shall be performed over the same time period as effluent Biochemical Oxygen Demand Five (5) Day and Total Suspended Solids sampling.

    d. The percent (%) removal associated with each influent/effluent sample shall be calculated and, when applicable, all the results calculated during the month shall be averaged for the purpose of reporting compliance with the average monthly percent (%) removal permit limitations.

31. A Total Hardness sample is to be collected from the receiving stream at a point immediately upstream of the Outlet 002 discharge.

WRD 2A-82

STATE OF WEST VIRGINIA
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
DISCHARGE MONITORING REPORT

Final Limitations
Year Round

FACILITY NAME: (CHELYAN PSD) CHELYAN PSD
LOCATION OF FACILITY: CHELYAN; Kanawha County
PERMIT NO.: WV0038776 OUTLET NO.: 002
WASTELOAD FOR THE MONTH OF:

CERTIFIED LABORATORY NAME:
CERTIFIED LABORATORY ADDRESS:
INDIVIDUAL PERFORMING ANALYSIS:

Parameter		Quantity				Other Units						Measurement Frequency	Sample Type
				Units	N.E.				CEL*	Units	N.E.		
50050 (ML-1) RF-A Flow,in Conduit or thru plant Year Round	Reported								N/A	mgd		Continuous	measured
	Permit Limits	N/A	N/A			Rpt Only Min.	Rpt Only Avg. Monthly	Rpt Only Max. Daily					
00310 (ML-B) RF-A BOD, 5-Day 20 Deg.C Year Round	Reported								N/A	mg/l		1/month	8 hr comp
	Permit Limits	408 Avg. Monthly	816 Max. Daily	Lbs/Day		N/A	30 Avg. Monthly	60 Max. Daily					
00530 (ML-A) RF-A Total Suspended Solids Year Round	Reported								N/A	mg/l		1/month	8 hr comp
	Permit Limits	408 Avg. Monthly	816 Max. Daily	Lbs/Day		N/A	30 Avg. Monthly	60 Max. Daily					
00610 (ML-A) RF-A Ammonia Nitrogen Year Round	Reported								N/A	mg/l		1/month	8 hr comp
	Permit Limits	204 Avg. Monthly	408 Max. Daily	Lbs/Day		N/A	15 Avg. Monthly	30 Max. Daily					
74055 (ML-A) RF-A Coliform, Fecal Year Round	Reported								N/A	Cnts/100		1/month	Grab
	Permit Limits	N/A	N/A			N/A	200 Mo. Geo. Mean	400 Max. Daily					
00400 (ML-A) RF-A pH Year Round	Reported								N/A	S.U.		1/month	Grab
	Permit Limits	N/A	N/A			6 Inst. Min.	N/A	9 Inst. Max.					
00900 (ML-5) RF-A Hardness, Total (as CACO3) Year Round	Reported								N/A	mg/l		1/month	Grab
	Permit Limits	N/A	N/A			N/A	N/A	Rpt Only Max. Daily					
01094 (ML-A) RF-B Zinc, Total Recoverable Year Round	Reported								N/A	mg/l		1/quarter	8 hr comp
	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily					

* CEL = Compliance Evaluation Level

Name of Principal Executive Officer

Title of Office

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and comp[illegible] I am aware that there are significant penalties for submitting false information includi[illegible]e possibility of a fine and imprisonment for knowing violations.

Date Completed

Signature of Principal Executive Officer or Authorized Agent

WRD 2A-82

STATE OF WEST VIRGINIA
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
DISCHARGE MONITORING REPORT

Final Limitations
Year Round

FACILITY NAME: (CHELYAN PSD) CHELYAN PSD
LOCATION OF FACILITY: CHELYAN; Kanawha County
PERMIT NO.: WV0038776 OUTLET NO.: 002
WASTELOAD FOR THE MONTH OF:

CERTIFIED LABORATORY NAME:
CERTIFIED LABORATORY ADDRESS:
INDIVIDUAL PERFORMING ANALYSIS:

Parameter		Quantity				Other Units						Measurement Frequency	Sample Type
				Units	N.E.				CEL*	Units	N.E.		
01114 (ML-A) RF-B	Reported												
Lead, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/quarter	8 hr comp
Year Round													
01119 (ML-A) RF-B	Reported												
Copper, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/quarter	8 hr comp
Year Round													
00718 (ML-A) RF-A	Reported												
Cyanide, Weak Acid Dissociable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													
01079 (ML-A) RF-A	Reported												
Silver, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													
01113 (ML-A) RF-A	Reported												
Cadmium, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													
00978 (ML-A) RF-A	Reported												
Arsenic, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													
71900 (ML-A) RF-A	Reported												
Mercury, Total (As Hg)	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													
01074 (ML-A) RF-A	Reported												
Nickel, Total Recoverable	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily	N/A	mg/l		1/month	8 hr comp
Year Round													

* CEL = Compliance Evaluation Level

Name of Principal Executive Officer

Title of Officer

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of a fine and imprisonment for knowing violations.

Date Completed

Signature of Principal Executive Officer or Authorized Agent

WRD 2A-82

STATE OF WEST VIRGINIA
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
DISCHARGE MONITORING REPORT

Final Limitations
Year Round

FACILITY NAME: (CHELYAN PSD) CHELYAN PSD
LOCATION OF FACILITY: CHELYAN; Kanawha County
PERMIT NO.: WV0038776 OUTLET NO.: 002
WASTELOAD FOR THE MONTH OF:

CERTIFIED LABORATORY NAME:
CERTIFIED LABORATORY ADDRESS:
INDIVIDUAL PERFORMING ANALYSIS:

Parameter		Quantity				Other Units						Measurement Frequency	Sample Type
				Units	N.E.				CEL*	Units	N.E.		
01032 (ML-A) RF-A Chromium, Hexavalent Year Round	Reported								N/A	mg/l		1/month	8 hr comp
	Permit Limits	N/A	N/A			N/A	Rpt Only Avg. Monthly	Rpt Only Max. Daily					
									N/A				
									N/A				
									N/A				
									N/A				
									N/A				
									N/A				
									N/A				

* CEL = Compliance Evaluation Level

Name of Principal Executive Officer

Title of Offic

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and comp I am aware that there are significant penalties for submitting false information includi ne possibility of a fine and imprisonment for knowing violations.

Date Completed

Signature of Principal Executive Officer or Authorized Agent

ACORD CERTIFICATE OF LIABILITY INSURANCE

CSR RH MAYC001

DATE (MM/DD/YY) 06/05/02

PRODUCER
George H. Friedlander Co.
Box 2466
[illegible]6 Kanawha Blvd. E.
Charleston WV 25311
Phone: 304-357-4520 Fax: 304-345-8724

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

INSURED

Hayslett Construction Company
P.O. Box 447
Hurricane WV 25526-0447

INSURER A:	St. Paul Fire && Marine
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY [X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [X] PROJECT [ ] LOC	CK02200110	01/15/02	01/15/03	EACH OCCURRENCE	$ 1,000,000
					FIRE DAMAGE (Any one fire)	$ 50,000
					MED EXP (Any one person)	$ 5,000
					PERSONAL & ADV INJURY	$ 1,000,000
					GENERAL AGGREGATE	$ 2,000,000
					PRODUCTS - COMP/OP AGG	$ 2,000,000
A	AUTOMOBILE LIABILITY [ ] ANY AUTO [X] ALL OWNED AUTOS [X] SCHEDULED AUTOS [X] HIRED AUTOS [X] NON-OWNED AUTOS	CA02200016	01/15/02	01/15/03	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
					BODILY INJURY (Per person)	$
					BODILY INJURY (Per accident)	$
					PROPERTY DAMAGE (Per accident)	$
	GARAGE LIABILITY [ ] ANY AUTO				AUTO ONLY - EA ACCIDENT	$
					OTHER THAN AUTO ONLY: EA ACC	$
					AGG	$
A	EXCESS LIABILITY [X] OCCUR [ ] CLAIMS MADE [ ] DEDUCTIBLE [ ] RETENTION $	CK02200110	01/15/02	01/15/03	EACH OCCURRENCE	$ 5,000,000
					AGGREGATE	$ 5,000,000
						$
						$
						$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	CK02200110 EMPLOYERS' LIABILITY ONLY	01/15/02	01/15/03	WC STATUTORY LIMITS / OTHER	
					E.L. EACH ACCIDENT	$ 1,000,000
					E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
					E.L. DISEASE - POLICY LIMIT	$ 1,000,000
	OTHER					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

SUBJECT TO THE PROVISIONS, CONDITIONS AND EXCLUSIONS OF THE POLICIES LISTED ABOVE IT IS AGREED THAT THE CERTIFICATE HOLDER IS AN "ADDITIONAL INSURED".

CERTIFICATE HOLDER [Y] ADDITIONAL INSURED; INSURER LETTER: A

WVWD001

WV Water Development Authority
180 Associational Drive
Charleston WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

©ACORD CORPORATION 1988

ACORD CERTIFICATE OF LIABILITY INSURANCE

INSURED COPY

DATE (MM/DD/YY) 06/03/2002

PRODUCER

Serial # A6423

WV BOARD OF RISK & INSURANCE MGT.
90 MACCORKLE AVE. SW, SUITE 203
SOUTH CHARLESTON, WV 25309

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED

CHEYLAN PUBLIC SERVICE DISTRICT
P.O. BOX 8
CABIN CREEK, WV 25035

INSURERS AFFORDING COVERAGE

INSURER A:	NATIONAL UNION FIRE CO OF PITTSBURGH, PA
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS MADE X OCCUR X WRONGFUL ACT X PROFESSIONAL GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PROJECT LOC	L 2532 RECEIVED JUN 04 2002	07/01/2001	07/01/2002	EACH OCCURRENCE FIRE DAMAGE (Any one fire) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 100,000 $ 0 $ INCLUDED $ N/A $ N/A
A	AUTOMOBILE LIABILITY ANY AUTO X ALL OWNED AUTOS X SCHEDULED AUTOS X HIRED AUTOS X NON-OWNED AUTOS	L 2532	07/01/2001	07/01/2002	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 1,000,000 $ $ $
	GARAGE LIABILITY ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN AUTO ONLY: EA ACC AGG	$ $ $
	EXCESS LIABILITY OCCUR CLAIMS MADE DEDUCTIBLE RETENTION $				EACH OCCURRENCE AGGREGATE	$ $ $ $ $
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY STOPGAP	L 2532	07/01/2001	07/01/2002	WC STATUTORY LIMITS OTHER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ 1,000,000 $ $
	OTHER					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

SUBJECT TO THE PROVISIONS, CONDITIONS AND EXCLUSIONS OF THE POLICIES LISTED ABOVE, IT IS AGREED THAT THE CERTIFICATE HOLDER IS AN "ADDITIONAL INSURED."

CERTIFICATE HOLDER | ADDITIONAL INSURED; INSURER LETTER:

WV WATER DEVELOPMENT AUTHORITY
180 ASSOCIATION DRIVE
CHALRESTON, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Bill S. May

© ACORD CORPORATION 1988

CLOSING MEMORANDUM

To: Barbara Meadows
Katy Mallory
Witter Hallan
Joyce McPhail
Samme Gee

From: Bill Bragg

Date: June 4, 2002

Re: Chelyan Public Service District Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund)

---

1. DISBURSEMENTS TO DISTRICT

Payor:	West Virginia Infrastructure and Jobs Development Council
Source:	Series 2002 Bond Proceeds
Amount:	$ 70,137
Date:	June 4, 2002
Form:	Wire Transfer
Payee:	Chelyan Public Service District
Bank:	City National Bank
Routing No.:	051904524
Account No.:	8000097082
Account:	Project Account/Cabin Creek Construction (Money Market)

2. DISBURSEMENTS TO MUNICIPAL BOND COMMISSION

Payor:	Infrastructure Council on behalf of Chelyan Public Service District
Source:	Series 2002 Bond Proceeds
Amount:	$92,700
Date:	June 4, 2002
Form:	Wire Transfer
Payee:	West Virginia Municipal Bond Commission
Bank:	Branch Banking and Trust Company, Charleston, West Virginia
Routing No.:	051503394
Account No.:	5270517317
Contact:	West Virginia State Treasurer for West Virginia Municipal Bond Commission
Account:	Notes Payment Fund to pay in full the Chelyan Public Service District Sewer System Design Note, Series 1998 (West Virginia Infrastructure Fund)

CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND)

RECEIPT OF PAYMENT OF PRIOR NOTE

The undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the Sewer System Design Note, Series 1998 (West Virginia Infrastructure Fund) (the "Prior Note"), of the Chelyan Public Service District (the "Issuer"), dated July 10, 1998, in the original aggregate principal amount of $90,000, bearing no interest, hereby certifies that it has received the sum of $92,700 from the Issuer and that such sum is sufficient to pay the entire outstanding principal amount of the Prior Note and the administrative fees thereon to the date hereof and discharge the liens, pledges and encumbrances securing the Prior Note.

Dated this 4th day of June, 2002.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Authorized Representative

M0327629.1

CHELYAN PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND,
SERIES 2002 (WEST VIRGINIA INFRASTRUCTURE FUND)

RECEIPT OF PAYMENT OF PRIOR BOND

The undersigned duly authorized representative of the United States of America, United States Department of Agriculture, Rural Utilities Service, the registered owner of the Sewerage System Revenue Bond, Series 1979 (the "Prior Bond"), of the Chelyan Public Service District (the "Issuer"), dated September 13, 1979, in the original aggregate principal amount of $822,100, bearing interest at the rate of five percent (5%) per annum, hereby certifies that it has received the sum of $557,220.77 from the Issuer and that such sum is sufficient to pay the entire outstanding principal amount of the Prior Bond and all accrued interest thereon to the date of receipt and discharge the liens, pledges and encumbrances securing the Prior Bond.

Dated as of the 4th day of June, 2002.

UNITED STATES OF AMERICA
UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Development

By: Rosemary Christian

Its: Rural Development Specialist

jurisdiction and authority provided by this section does not extend to highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways. (1955, c. 135; 1967, c. 105; 1994, c. 61; 2001, c. 212.)

Effect of amendment of 2001. — Acts 2001, c. 212, effective July 13, 2001, substituted "the" for "such" throughout, substituted "the" for "said" throughout, inserted "fees" following "rates" throughout; in the first paragraph, inserted "and/or stormwater system" following "existing sewer system", inserted "or stormwater system" following "such sewer system"; in the second paragraph, inserted "or stormwater" following "sewage", inserted "or stormwater facilities" following "sewer facilities"; in the fourth paragraph, added "or entire stormwater works" to the end; in the sixth paragraph, deleted "such" following "fixing" and "publication of"; in the eighth paragraph, deleted "such" preceding "rates" twice; and in the last paragraph, added the proviso.

Applied in City of Morgantown v. Town of Star City, 156 W. Va. 529, 195 S.E.2d 166 (1973).

§ 16-13-24. Article to be construed liberally.

This article being necessary for the public health, safety and welfare, it shall be liberally construed to effectuate the purpose thereof. (1933, Ex. Sess., c. 25, § 24.)

Quoted in West Virginia Water Serv. Co. v. Cunningham, 143 W. Va. 1, 98 S.E.2d 891 (1957).

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.

Sec.
16-13A-1. Legislative findings.
16-13A-1a. Jurisdiction of the public service commission.
16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.
16-13A-1c. General purpose of districts.
16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.
16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.
16-13A-3a. Removal of members of public service board.
16-13A-4. Board chairman; members' compensation; procedure; district name.
16-13A-5. General manager of board.
16-13A-6. Employees of board.
16-13A-7. Acquisition and operation of district properties.
16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.
16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.
16-13A-9a. Limitations with respect to foreclosure.

Sec.
16-13A-10. Budget.
16-13A-11. Accounts; audit.
16-13A-12. Disbursement of district funds.
16-13A-13. Revenue bonds.
16-13A-14. Items included in cost of properties.
16-13A-15. Bonds may be secured by trust indenture.
16-13A-16. Sinking fund for revenue bonds.
16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.
16-13A-18. Operating contracts.
16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.
16-13A-19. Statutory mortgage lien created; foreclosure thereof.
16-13A-20. Refunding revenue bonds.
16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.
16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.
16-13A-23. Validation of acts and proceedings of public service boards.
16-13A-24. Acceptance of loans, grants or temporary advances.
16-13A-25. Borrowing and bond issuance; procedure.

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Constitutionality. — The act from which this article was derived, authorizing the creation of public service districts by the county courts of this State, defining the powers and duties of the governing boards of such districts in the acquisition, construction, maintenance, operation, improvement and extension of property supplying water and sewerage services, and authorizing the issuance of bonds of such districts payable solely from revenue to be derived from the operation of such properties, does not violate any provision of the Constitution of this State or the Fourteenth Amendment to the Constitution of the United States. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Purpose. — The purpose of this article is to provide water and sewerage facilities in unincorporated districts. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

The title to Acts 1953, c. 147, is sufficient to give a fair and reasonable index to all of the purposes of the act. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Public utilities. — Public service districts are "public utilities" because they are required to pay a special license fee pursuant to § 24-3-6 for support of the public service commission. 50 Op. Att'y Gen. 447 (1963).

Cited in Berkeley County Pub. Serv. Dist. v. Vitro Corp. of Am., 152 W. Va. 252, 162 S.E.2d 189 (1968); State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987); McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist, 199 W. Va. 490, 485 S.E.2d 434 (1997).

---

§ 16-13A-1. Legislative findings.

The Legislature of the state of West Virginia hereby determines and finds that the present system of public service districts within the state has provided a valuable service at a reasonable cost to persons who would otherwise have been unable to obtain public utility services. To further this effort, and to ensure that all areas of the state are benefiting from the availability of public service district utility services and to further correct areas with health hazards, the Legislature concludes that it is in the best interest of the public to implement better management of public service district resources by expanding the ability and the authority of the public service commission to assist public service districts by offering advice and assistance in operational, financial and regulatory affairs.

In addition to the expanded powers which shall be given to the public service commission, the Legislature also concludes that it is in the best interest of the public for each county commission to review current technology available and consider consolidating existing public service districts where it is feasible and will not result in the interference with existing bond instruments. Further, if such consolidation is not feasible, the Legislature finds that it is in the best interest of the public for each county commission to review current technology available and consider consolidating or centralizing the management of public service districts within its county or multi-county area to achieve efficiency of operations. The Legislature also finds that additional guidelines should be imposed on the creation of new public service districts and that county commissions shall dissolve inactive public service districts as hereinafter provided. The Legislature also finds that the public service commission shall promulgate rules and regulations to effectuate the expanded powers given to the commission relating to public service districts. (1953, c. 147; 1980, c. 60; 1986, c. 81.)

Authority of county commissions. — The county courts (now county commissions) may not supersede the authority delegated by them to public service districts created in accordance with the provisions of this article. Op. Att'y Gen., June 27, 1973.

Public service district — Authority. — A public service district, which was created only for the purposes of furnishing water services, has no power to condemn real estate for sewerage facilities. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Public service district — Purpose. — The purpose for the creation of a public service district may be ascertained by a review of the order establishing the district and the history behind the creation of the district (the notice of hearing and hearings held prior to the creation of the district). Op. Att'y Gen., July 8, 1976.

Cited in State ex rel. APCO v. Gainer, 149 W. Va. 740, 143 S.E.2d 351 (1965); Shobe v. Latimer, 162 W. Va. 779, 253 S.E.2d 54 (1979).

§ 16-13A-1a. Jurisdiction of the public service commission.

The jurisdiction of the public service commission relating to public service districts shall be expanded to include the following powers, and such powers shall be in addition to all other powers of the public service commission set forth in this code:

(a) To study, modify, approve, deny or amend the plans created under section one-b [§ 16-13A-1b] of this article for consolidation or merger of public service districts and their facilities, personnel or administration;

(b) To petition the appropriate circuit court for the removal of a public service district board member or members; and

(c) To create by general order a separate division within the public service commission to provide assistance to public service districts in technological, operational, financial and regulatory matters. (1986, c. 81.)

Cited in State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist., 195 W. Va. 135, 464 S.E.2d 777 (1995).

§ 16-13A-1b. County commissions to develop plan to create, consolidate, merge, expand or dissolve public service districts.

Each county commission shall conduct a study of all public service districts which have their principal offices within its county and shall develop a plan relating to the creation, consolidation, merger, expansion or dissolution of such districts or the consolidation or merger of management and administrative services and personnel and shall present such plan to the public service commission for approval, disapproval, or modification: Provided, That within ninety days of the effective date of this section each county commission in this state shall elect either to perform its own study or request that the public service commission perform such study. Each county commission electing to perform its own study has one year from the date of election to present such plan to the public service commission. For each county wherein the county commission elects not to perform its own study, the public service commission shall conduct a study of such county. The public service commission shall establish a schedule for such studies upon a priority basis, with those counties perceived to have the greatest need of creation or consolidation of public service districts receiving the highest priority. In establishing the priority schedule, and in the performance of each study, the bureau of public health and the division of environmental protection shall offer their assistance and cooperation to the public service commission. Upon completion by the public service commission of each study, it shall be submitted to the appropriate county commission for review and comment. Each county commission has six months in which to review the study conducted by the public service commission, suggest changes or modifications thereof, and present such plan to the public service commission. All county plans, whether conducted by the county commission itself or submitted as a result of a public service commission study, shall, by order, be approved, disapproved or modified by the public service commission in accordance with rules promulgated by the public service commission and such order shall be implemented by the county commission. (1986, c. 81; 1994, c. 61.)

§ 16-13A-1c. General purpose of districts.

Any territory constituting the whole or any part of one or more counties in the state so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of, properties supplying water or sewerage services or gas distribution services or all of these within such territory, will be conducive to the preservation of the public health, comfort and convenience of such area, may be constituted a public service district under and in the manner provided by this article. The words "public service properties," when used in this article, shall mean and include any facility used or to be used for or in connection with (1) the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or

other uses (herein sometimes referred to as "water facilities"), (2) the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes (herein sometimes referred to as "sewer facilities" or "landfills") or (3) the distribution or the furnishing of natural gas to the public for industrial, public, private or other uses (herein sometimes referred to as "gas utilities or gas system"). (1986, c. 81.)

§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.

(a) The county commission of any county may propose the creation, enlargement, reduction, merger, dissolution, or consolidation of a public service district by any of the following methods: (1) on its own motion by order duly adopted, (2) upon the recommendation of the public service commission, or (3) by petition of twenty-five percent of the registered voters who reside within the limits of the proposed public service district within one or more counties. The petition shall contain a description, including metes and bounds, sufficient to identify the territory to be embraced therein and the name of such proposed district: Provided, That after the effective date of this section, no new public service district shall be created, enlarged, reduced, merged, dissolved or consolidated under this section without the written consent and approval of the public service commission, which approval and consent shall be in accordance with rules promulgated by the public service commission and may only be requested after consent is given by the appropriate county commission or commissions pursuant to this section. Any territory may be included regardless of whether or not the territory includes one or more cities, incorporated towns or other municipal corporations which own and operate any public service properties and regardless of whether or not it includes one or more cities, incorporated towns or other municipal corporations being served by privately owned public service properties: Provided, however, That the same territory shall not be included within the boundaries of more than one public service district except where the territory or part thereof is included within the boundaries of a separate public service district organized to supply water, sewerage services or gas facilities not being furnished within such territory or part thereof: Provided further, That no city, incorporated town or other municipal corporation shall be included within the boundaries of the proposed district except upon the adoption of a resolution of the governing body of the city, incorporated town or other municipal corporation consenting.

(b) The petition shall be filed in the office of the clerk of the county commission of the county in which the territory to constitute the proposed district is situated, and if the territory is situated in more than one county, then the petition shall be filed in the office of the clerk of the county

commission of the county in which the major portion of the territory extends, and a copy thereof (omitting signatures) shall be filed with each of the clerks of the county commission of the other county or counties into which the territory extends. The clerk of the county commission receiving such petition shall present it to the county commission of the county at the first regular meeting after the filing or at a special meeting called for the consideration thereof.

(c) When the county commission of any county enters an order on its own motion proposing the creation, enlargement, reduction, merger, dissolution or consolidation of a public service district, as aforesaid, or when a petition for the creation is presented, as aforesaid, the county commission shall at the same session fix a date of hearing in the county on the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed public service district, which date so fixed shall be not more than forty days nor less than twenty days from the date of the action. If the territory proposed to be included is situated in more than one county, the county commission, when fixing a date of hearing, shall provide for notifying the county commission and clerk thereof of each of the other counties into which the territory extends of the date so fixed. The clerk of the county commission of each county in which any territory in the proposed public service district is located shall cause notice of the hearing and the time and place thereof, and setting forth a description of all of the territory proposed to be included therein to be given by publication as a Class I legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for the publication shall be by publication in each city, incorporated town or municipal corporation if available in each county in which any territory in the proposed public service district is located. The publication shall be at least ten days prior to the hearing.

(d) In all cases where proceedings for the creation, enlargement, reduction, merger, dissolution or consolidation of the public service districts are initiated by petition as aforesaid, the person filing the petition shall advance or satisfactorily indemnify the payment of the cost and expenses of publishing the hearing notice, and otherwise the costs and expenses of the notice shall be paid in the first instance by the county commission out of contingent funds or any other funds available or made available for that purpose. In addition to the notice required herein to be published, there shall also be posted in at least five conspicuous places in the proposed public service district, a notice containing the same information as is contained in the published notice. The posted notices shall be posted not less than ten days before the hearing.

(e) All persons residing in or owning or having any interest in property in the proposed public service district shall have an opportunity to be heard for and against its creation, enlargement, reduction, merger, dissolution or consolidation. At the hearing the county commission before which the hearing is conducted shall consider and determine the feasibility of the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district. If the county commission determines that the construction or acquisition by purchase or otherwise and maintenance, operation, improvement and

extension of public service properties by the public service district will be conducive to the preservation of public health, comfort and convenience of such area, the county commission shall by order create, enlarge, reduce, merge, dissolve or consolidate such public service district. If the county commission, after due consideration, determines that the proposed district will not be conducive to the preservation of public health, comfort or convenience of the area or that the creation, enlargement, reduction, merger, dissolution or consolidation of the proposed district as set forth and described in the petition or order is not feasible, it may refuse to enter an order creating the district or it may enter an order amending the description of the proposed district and create, enlarge, reduce, merge, dissolve or consolidate the district as amended.

(f) If the county commission determines that any other public service district or districts can adequately serve the area of the proposed public service district, whether by enlargement, reduction, merger, dissolution or consolidation, it shall refuse to enter the order, but shall enter an order creating, enlarging, reducing, merging, dissolving or consolidating the area with an existing public service district, in accordance with rules adopted by the public service commission for such purpose: Provided, That no enlargement of a public service district may occur if the present or proposed physical facilities of the public service district are determined by the appropriate county commission or the public service commission to be inadequate to provide such enlarged service. The clerk of the county commission of each county into which any part of such district extends shall retain in his office an authentic copy of the order creating, enlarging, reducing, merging, dissolving or consolidating the district: Provided, however, That within ten days after the entry of an order creating, enlarging, reducing, merging, dissolving or consolidating a district, such order must be filed for review and approval by the public service commission. The public service commission shall provide a hearing in the affected county on the matter and may approve, reject or modify the order of the county commission if it finds it is in the best interests of the public to do so. The public service commission shall adopt rules relating to such filings and the approval, disapproval or modification of county commission orders for creating, enlarging, merging, dissolving or consolidating districts. The provisions of this section shall not apply to the implementation by a county commission of an order issued by the public service commission pursuant to this section and section one-b [§ 16-13A-1b] of this article.

(g) The county commission may, if in its discretion it deems it necessary, feasible and proper, enlarge the district to include additional areas, reduce the area of the district, where facilities, equipment, service or materials have not been extended, or dissolve the district if inactive or create or consolidate two or more such districts. If consolidation of districts is not feasible, the county commission may consolidate and centralize management and administration of districts within its county or multi-county area to achieve efficiency of operations: Provided, That where the county commission determines on its own motion by order entered of record, or there is a petition to enlarge the district, merge and consolidate districts, or the management and administration thereof, reduce the area of the district or dissolve the district if inactive,

all of the applicable provisions of this article providing for hearing, notice of hearing and approval by the public service commission shall apply. The commission shall at all times attempt to bring about the enlargement or merger of existing public service districts in order to provide increased services and to eliminate the need for creation of new public service districts in those areas which are not currently serviced by a public service district: Provided, however, That where two or more public service districts are consolidated pursuant to this section, any rate differentials may continue for the period of bonded indebtedness incurred prior to consolidation. The districts may not enter into any agreement, contract or covenant that infringes upon, impairs, abridges or usurps the duties, rights or powers of the county commission, as set forth in this article, or conflicts with any provision of this article.

(h) A list of all districts and their current board members shall be filed by the county commission with the secretary of state and the public service commission by the first day of July of each year. (1953, c. 147; 1965, c. 134; 1967, c. 105; 1975, c. 140; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1995, c. 125.)

Editor's notes. — Concerning the reference in (a) to "the effective date of this section," this language was added by Acts 1986, c. 81, and became effective June 6, 1986.

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Constitutionality. — There is no unlawful delegation of legislative power to the county courts (now county commissions) of this State under this section in violation of W. Va. Const., art. V, § 1, and art. VI, § 1. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

There is no unconstitutional delegation of judicial functions to the county court (now county commission) made by this section. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Authority of commission and voters. — (1) Only the county commission has the affirmative authority to create, enlarge or reduce a public service district; (2) in the absence of any action by a county commission, the requisite number of qualified voters in the affected geographic area may petition a county commission to create, enlarge or reduce a public service district, and, that upon the filing of such petition, a hearing shall be held thereon; (3) the county commission may, in its discretion, refuse to act in an affirmative manner upon such formal petition for creation, enlargement or reduction of such public service district, which action is not subject to protest or public referendum; (4) the county commission may, on its own motion or on the basis of such proper petition, enter an order creating, enlarging or reducing a public service district, which such action and order are subject to a hearing requiring proper notice, and a formal protest and public referendum depending upon the number of qualified voters who protest such action. Op. Att'y Gen., Nov. 13, 1975.

Authority of court. — A county court (now county commission) has authority to add sewerage services to the facilities of a public service district which was created for the purpose of furnishing water services, under appropriate proceedings. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Compliance. — The provisions of this section relating to the filing of the petition or motion of the county court (now county commission), the description of the territory to be embraced and like provisions are mandatory, but the use of the word "shall," in relation to the requirements for the posting and publication of notice and the time of setting the hearing are directory and require only substantial compliance. Canyon Pub. Serv. Dist. v. Tasa Coal Co., 156 W. Va. 606, 195 S.E.2d 647 (1973).

Merger or consolidation of districts. — This section authorizes either merger or consolidation of public service districts. Op. Att'y Gen., June 12, 1985, No. 9.

A merger or consolidation results in one corporation which, in the case of merger, will be the corporation designated by the commissioners as the surviving corporation, and with respect to a consolidation, will be a new corporate entity. Op. Att'y Gen., June 12, 1985, No. 9.

Overlapping districts. — Where there is no bond indebtedness outstanding to be paid by a public service district, the county commission creating a public service district may undertake to enlarge or reduce the areas of various overlapping districts or may even consolidate the overlapping districts into one district. Op. Att'y Gen., July 8, 1976.

Public corporation. — A public service

district is a public corporation and does not come within the constitutional inhibition requiring all corporations to be created by general law. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Referendum. — There is no authority for voters, by written protest or otherwise, to force a referendum upon the issue of whether or not a created public service district should be continued or abolished. 52 Op. Att'y Gen. 33 (1966).

"Shall apply with like effect," etc. — Because a protest against creation triggers a referendum, the language "shall apply with like effect as if a district were being created" can mean only that a protest against enlargement or reduction likewise triggers a referendum. Op. Att'y Gen., Nov. 13, 1975.

Applied in Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

Cited in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.

From and after the date of the adoption of the order creating any public service district, it is a public corporation and political subdivision of the state, but without any power to levy or collect ad valorem taxes. Each district may acquire, own and hold property, both real and personal, in its corporate name, and may sue, may be sued, may adopt an official seal and may enter into contracts necessary or incidental to its purposes, including contracts with any city, incorporated town or other municipal corporation located within or without its boundaries for furnishing wholesale supply of water for the distribution system of the city, town or other municipal corporation, and contract for the operation, maintenance, servicing, repair and extension of any properties owned by it or for the operation and improvement or extension by the district of all or any part of the existing municipally owned public service properties of any city, incorporated town or other municipal corporation included within the district: Provided, That no contract shall extend beyond a maximum of forty years, but provisions may be included therein for a renewal or successive renewals thereof and shall conform to and comply with the rights of the holders of any outstanding bonds issued by the municipalities for the public service properties.

The powers of each public service district shall be vested in and exercised by a public service board consisting of not less than three members, who shall be persons residing within the district, who possess certain educational, business or work experience which will be conducive to operating a public service district. Each board member shall, within six months of taking office, successfully complete the training program to be established and administered by the public service commission in conjunction with the division of environmental protection and the bureau of public health. Board members shall not be or become pecuniarily interested, directly or indirectly, in the proceeds of any contract or service, or in furnishing any supplies or materials to the district nor shall a former board member be hired by the district in any capacity within a minimum of twelve months after board member's term has expired or such board member has resigned from the district board. The members shall be appointed in the following manner:

Each city, incorporated town or other municipal corporation having a population of more than three thousand but less than eighteen thousand is

entitled to appoint one member of the board, and each city, incorporated town or other municipal corporation having a population in excess of eighteen thousand shall be entitled to appoint one additional member of the board for each additional eighteen thousand population. The members of the board representing such cities, incorporated towns or other municipal corporations shall be residents thereof and shall be appointed by a resolution of the governing bodies thereof and upon the filing of a certified copy or copies of the resolution or resolutions in the office of the clerk of the county commission which entered the order creating the district, the persons so appointed become members of the board without any further act or proceedings. If the number of members of the board so appointed by the governing bodies of cities, incorporated towns or other municipal corporations included in the district equals or exceeds three, then no further members shall be appointed to the board and the members so appointed are the board of the district except in cases of merger or consolidation where the number of board members may equal five.

If no city, incorporated town or other municipal corporation having a population of more than three thousand is included within the district, then the county commission which entered the order creating the district shall appoint three members of the board, who are persons residing within the district and residing within the state of West Virginia, which three members become members of the board of the district without any further act or proceedings except in cases of merger or consolidation where the number of board members may equal five.

If the number of members of the board appointed by the governing bodies of cities, incorporated towns or other municipal corporations included within the district is less than three, then the county commission which entered the order creating the district shall appoint such additional member or members of the board, who are persons residing within the district, as is necessary to make the number of members of the board equal three except in cases of merger or consolidation where the number of board members may equal five, and the member or members appointed by the governing bodies of the cities, incorporated towns or other municipal corporations included within the district and the additional member or members appointed by the county commission as aforesaid, are the board of the district. A person may serve as a member of the board in one or more public service districts.

The population of any city, incorporated town or other municipal corporation, for the purpose of determining the number of members of the board, if any, to be appointed by the governing body or bodies thereof, is the population stated for such city, incorporated town or other municipal corporation in the last official federal census.

Notwithstanding any provision of this code to the contrary, whenever a district is consolidated or merged pursuant to section two [§ 16-13A-2] of this article, the terms of office of the existing board members shall end on the effective date of the merger or consolidation. The county commission shall appoint a new board according to rules promulgated by the public service commission. Whenever districts are consolidated or merged no provision of this code prohibits the expansion of membership on the new board to five.

The respective terms of office of the members of the first board shall be fixed by the county commission and shall be as equally divided as may be, that is approximately one third of the members for a term of two years, a like number for a term of four years, the term of the remaining member or members for six years, from the first day of the month during which the appointments are made. The first members of the board appointed as aforesaid shall meet at the office of the clerk of the county commission which entered the order creating the district as soon as practicable after the appointments and shall qualify by taking an oath of office: Provided, That any member or members of the board may be removed from their respective office as provided in section three-a [§ 16-13A-3a] of this article.

Any vacancy shall be filled for the unexpired term within thirty days, otherwise successor members of the board shall be appointed for terms of six years and the terms of office shall continue until successors have been appointed and qualified. All successor members shall be appointed in the same manner as the member succeeded was appointed. The district shall provide to the public service commission, within thirty days of the appointment, the following information: The new board member's name, home address, home and office phone numbers, date of appointment, length of term, who the new member replaces and if the new appointee has previously served on the board. The public service commission shall notify each new board member of the legal obligation to attend training as prescribed in this section.

The board shall organize within thirty days following the first appointments and annually thereafter at its first meeting after the first day of January of each year by selecting one of its members to serve as chair and by appointing a secretary and a treasurer who need not be members of the board. The secretary shall keep a record of all proceedings of the board which shall be available for inspection as other public records. Duplicate records shall be filed with the county commission and shall include the minutes of all board meetings. The treasurer is lawful custodian of all funds of the public service district and shall pay same out on orders authorized or approved by the board. The secretary and treasurer shall perform other duties appertaining to the affairs of the district and shall receive salaries as shall be prescribed by the board. The treasurer shall furnish bond in an amount to be fixed by the board for the use and benefit of the district.

The members of the board, and the chair, secretary and treasurer thereof, shall make available to the county commission, at all times, all of its books and records pertaining to the district's operation, finances and affairs, for inspection and audit. The board shall meet at least monthly. (1953, c. 147; 1965, c. 134; 1971, c. 72; 1981, c. 124; 1983, c. 166; 1986, c. 81; 1994, c. 61; 1997, c. 159.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

W. Va. Law Review. — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?," 98 W. Va. L. Rev. 449 (1996).

Authority of districts. — Public service districts are agents of the county commission by which they were created, having no authority other than that expressly set out in this article. Op. Att'y Gen., July 8, 1976.

Compensation for additional duties. — Board members of a public service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading

meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

Exemptions. — Public service districts of West Virginia are political subdivisions of the State, and as such, they are specifically, by express statute, exempted from the duty of paying registration fees (provided by § 17A-10-8), the privilege tax (imposed by § 17A-3-4), and the certificate of title charge (required by § 17A-3-4). 49 Op. Att'y Gen. 131 (1961).

Furnishing water to another state. — A public service district may furnish water wholesale in bulk quantities to a municipal corporation in another state. 51 Op. Att'y Gen. 739 (1966).

Applied in McCloud v. Salt Rock Water Pub. Serv. Dist., 207 W. Va. 453, 533 S.E.2d 679 (2000).

Cited in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-3a. Removal of members of public service board.

The county commission or the public service commission or any other appointive body creating or establishing a public service district under the provisions of this article, or any group of five percent or more of the customers of a public service district, may petition the circuit court of the county in which the district maintains its principal office for the removal of any member of the governing board thereof for consistent violations of any provisions of this article, for reasonable cause which includes, but is not limited to, a continued failure to attend meetings of the board, failure to diligently pursue the objectives for which the district was created, or failure to perform any other duty either prescribed by law or required by a final order of the public service commission or for any malfeasance in public office. Any board member charged with a violation under this section who offers a successful defense against such charges shall be reimbursed for the reasonable costs of such defense from district revenues. Such costs shall be considered as costs associated with rate determination by the public service district and the public service commission. If the circuit court judge hearing the petition for removal finds that the charges are frivolous in nature, the judge may assess all or part of the court costs, plus the reasonable costs associated with the board member's defense, against the party or parties who petitioned the court for the board member's removal. (1963, c. 75; 1971, c. 72; 1981, c. 124; 1986, c. 81.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

Quoted in State v. Neary, 179 W. Va. 115, 365 S.E.2d 395 (1987).

§ 16-13A-4. Board chairman; members' compensation; procedure; district name.

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per

attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings

may be called. Public notice of meetings shall be given in accordance with section three [§ 6-9A-3], article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and the change is effective from the filing of an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159; 2000, c. 199.)

Effect of amendment of 2000. — Acts 2000, c. 199, effective June 9, 2000, rewrote the section.

Compensation for performing additional duties. — Board members of a public service district could not be compensated for performing the duties of treasurer and/or secretary, or for reading meters for the public service district. Op. Att'y Gen., July 14, 1988, No. 2.

§ 16-13A-5. General manager of board.

The board may employ a general manager to serve a term of not more than five years and until his successor is employed, and his compensation shall be fixed by resolution of the board. Such general manager shall devote all or the required portion of his time to the affairs of the district and may employ, discharge and fix the compensation of all employees of the district, except as in this article otherwise provided, and he shall perform and exercise such other powers and duties as may be conferred upon him by the board.

Such general manager shall be chosen without regard to his political affiliations and upon the sole basis of his administrative and technical qualifications to manage public service properties and affairs of the district and he may be discharged only upon the affirmative vote of two thirds of the board. Such general manager need not be a resident of the district at the time he is chosen. Such general manager may not be a member of the board but shall be an employee of the board.

The board of any public service district which purchases water or sewer service from a municipal water of sewer system or another public service district may, as an alternative to hiring its own general manager, elect to permit the general manager of the municipal water or sewer system or public service district from which such water or sewer service is purchased provide professional management to the district, if the appropriate municipality or public service board agrees to provide such assistance. The general manager shall receive reasonable compensation for such service. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

§ 16-13A-6. Employees of board.

The board may in its discretion from time to time by resolution passed by a majority vote provide for the employment of an attorney, fiscal agent, one or more engineers and such other employees as the board may determine necessary and expedient. The board shall in and by such resolution fix the term of employment and compensation and prescribe the duties to be performed by such employees. (1953, c. 147; 1981, c. 124.)

§ 16-13A-7. Acquisition and operation of district properties.

The board of such districts shall have the supervision and control of all public service properties acquired or constructed by the district, and shall have the power, and it shall be its duty, to maintain, operate, extend and improve the same. All contracts involving the expenditure by the district of more than fifteen thousand dollars for construction work or for the purchase of equipment and improvements, extensions or replacements, shall be entered into only after notice inviting bids shall have been published as a Class I legal advertisement in compliance with the provision of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be as specified in section two [§ 16-13A-2] of this article in the county or counties in which the district is located. The publication shall not be less than ten days prior to the making of any such contract. To the extent allowed by law, in-state contractors shall be given first priority in awarding public service district contracts. It shall be the duty of the board to ensure that local in-state labor shall be utilized to the greatest extent possible when hiring laborers for public service district construction or maintenance repair jobs. It shall further be the duty of the board to encourage contractors to use American made products in their construction to the extent possible. Any obligations incurred of any kind or character shall not in any event constitute or be deemed an indebtedness within the meaning of any of the provisions or limitations of the constitution, but all such obligations shall be payable solely and only out of revenues derived from the operation of the public service properties of the district or from proceeds of bonds issued as hereinafter provided. No continuing contract for the purchase of materials or supplies or for furnishing the district with electrical energy or power shall be entered into for a longer period than fifteen years. (1953, c. 147; 1967, c. 105; 1981, c. 124; 1982, c. 24; 1986, c. 81; 1997, c. 159.)

§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.

The board may acquire any publicly or privately owned public service properties located within the boundaries of the district regardless of whether or not all or any part of such properties are located within the corporate limits

of any city, incorporated town or other municipal corporation included within the district and may purchase and acquire all rights and franchises and any and all property within or outside the district necessary or incidental to the purpose of the district.

The board may construct any public service properties within or outside the district necessary or incidental to its purposes and each such district may acquire, construct, maintain and operate any such public service properties within the corporate limits of any city, incorporated town or other municipal corporation included within the district or in any unincorporated territory within ten miles of the territorial boundaries of the district: Provided, That if any incorporated city, town or other municipal corporation included within the district owns and operates either water facilities, sewer facilities or gas facilities or all of these, then the district may not acquire, construct, establish, improve or extend any public service properties of the same kind within such city, incorporated towns or other municipal corporations or the adjacent unincorporated territory served by such cities, incorporated towns or other municipal corporations, except upon the approval of the public service commission, the consent of such cities, incorporated towns or other municipal corporations and in conformity and compliance with the rights of the holders of any revenue bonds or obligations theretofore issued by such cities, incorporated towns or other municipal corporations then outstanding and in accordance with the ordinance, resolution or other proceedings which authorize the issuance of such revenue bonds or obligations.

Whenever such district has constructed, acquired or established water facilities, sewer facilities or gas facilities for water, sewer or gas services within any city, incorporated town or other municipal corporation included within a district, then such city, incorporated town or other municipal corporation may not thereafter construct, acquire or establish any facilities of the same kind within such city, incorporated town or other municipal corporation without the consent of such district.

For the purpose of acquiring any public service properties or lands, rights or easements deemed necessary or incidental for the purposes of the district, each such district has the right of eminent domain to the same extent and to be exercised in the same manner as now or hereafter provided by law for such right of eminent domain by cities, incorporated towns and other municipal corporations: Provided, That such board may not acquire all or any substantial part of a privately owned waterworks system unless and until authorized so to do by the public service commission of West Virginia, and that this section shall not be construed to authorize any district to acquire through condemnation proceedings either in whole or substantial part an existing privately owned waterworks plant or system or gas facilities located in or furnishing water or gas service within such district or extensions made or to be made by it in territory contiguous to such existing plant or system, nor may any such board construct or extend its public service properties to supply its services into areas served by or in competition with existing waterworks or gas facilities or extensions made or to be made in territory contiguous to such existing plant or system by the owner thereof. (1953, c. 147; 1980, c. 60; 1981, c. 124.)

Eminent domain. — The grant of power of eminent domain to public service districts by this section is valid. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

If a facility creates a nuisance this harm is simply an element of just compensation in an eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Public service commission, in the absence of specific statutory authority, is not empowered to determine whether particular property interests acquired or to be acquired by a utility are compensable in an eminent domain action, or to render any type of monetary judgment for such property interests. Affixing the value of the property taken is the function of the trier of fact in an eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Superior right of municipality to extend public services. — If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right under this section to extend public services, such as water and/or sewer service, which were not being previously furnished to the tract by the public service district. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

When consent of municipality needed. — Where municipality has superior right to extend social services, a public service district would need the consent of the municipality and the public service commission in order to provide such services. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

Cited in 45 Op. Att'y Gen. 506 (1953).

§ 16-13A-9. Rules; service rates and charges; discontinuance of service; required water and sewer connections; lien for delinquent fees.

The board may make, enact and enforce all needful rules and regulations in connection with the acquisition, construction, improvement, extension, management, maintenance, operation, care, protection and the use of any public service properties owned or controlled by the district, and the board shall establish rates and charges for the services and facilities it furnishes, which shall be sufficient at all times, notwithstanding the provisions of any other law or laws, to pay the cost of maintenance, operation and depreciation of such public service properties and principal of and interest on all bonds issued, other obligations incurred under the provisions of this article and all reserve or other payments provided for in the proceedings which authorized the issuance of any bonds hereunder. The schedule of such rates and charges may be based upon either (a) the consumption of water or gas on premises connected with such facilities, taking into consideration domestic, commercial, industrial and public use of water and gas; or (b) the number and kind of fixtures connected with such facilities located on the various premises; or (c) the number of persons served by such facilities; or (d) any combination thereof; or (e) may be determined on any other basis or classification which the board may determine to be fair and reasonable, taking into consideration the location of the premises served and the nature and extent of the services and facilities furnished. Where water, sewer and gas services are all furnished to any premises, the schedule of charges may be billed as a single amount for the aggregate thereof. The board shall require all users of services and facilities furnished by the district to designate on every application for service whether the applicant is a tenant or an owner of the premises to be served. If the applicant is a tenant, he or she shall state the name and address of the owner or owners of the premises to be served by the district. All new applicants for service shall

deposit a minimum of fifty dollars with the district to secure the payment of service rates and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates and charges which were delinquent at the time of disconnection or termination of service, no reconnection or reinstatement of service may be made by the district until another minimum deposit of fifty dollars has been remitted to the district. Whenever any rates, rentals or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided are delinquent and the owner, user and property are liable at law until such time as all such rates and charges are fully paid: Provided, That the property owner shall be given notice of any said delinquency by certified mail, return receipt requested. The board may, under reasonable rules promulgated by the public service commission, shut off and discontinue water or gas services to all delinquent users of either water or gas facilities, or both: Provided, however, That upon written request of the owner or owners of the premises, the board shall shut off and discontinue water and gas services where any rates, rentals, or charges for services or facilities remain unpaid by the user of the premises for a period of sixty days after the same became due and payable.

In the event that any publicly or privately owned utility, city, incorporated town, other municipal corporation or other public service district included within the district owns and operates separately either water facilities or sewer facilities, and the district owns and operates the other kind of facilities, either water or sewer, as the case may be, then the district and such publicly or privately owned utility, city, incorporated town or other municipal corporation or other public service district shall covenant and contract with each other to shut off and discontinue the supplying of water service for the nonpayment of sewer service fees and charges: Provided, That any contracts entered into by a public service district pursuant to this section shall be submitted to the public service commission for approval. Any public service district providing water and sewer service to its customers has the right to terminate water service for delinquency in payment of either water or sewer bills. Where one public service district is providing sewer service and another public service district or a municipality included within the boundaries of the sewer district is providing water service, and the district providing sewer service experiences a delinquency in payment, the district or the municipality included within the boundaries of the sewer district that is providing water service, upon the request of the district providing sewer service to the delinquent account, shall terminate its water service to the customer having the delinquent sewer account: Provided, however, That any termination of water service must comply with all rules and orders of the public service commission.

Any district furnishing sewer facilities within the district may require, or may by petition to the circuit court of the county in which the property is located, compel or may require the bureau of public health to compel all owners, tenants or occupants of any houses, dwellings and buildings located near any such sewer facilities, where sewage will flow by gravity or be

transported by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine [§ 16-1-9], article one, chapter sixteen of this code, from such houses, dwellings or buildings into such sewer facilities, to connect with and use such sewer facilities, and to cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such houses, dwellings and buildings where there is such gravity flow or transportation by such other methods approved by the bureau of public health including, but not limited to, vacuum and pressure systems, approved under the provisions of section nine, article one, chapter sixteen of this code, and such houses, dwellings and buildings can be adequately served by the sewer facilities of the district, and it is hereby found, determined and declared that the mandatory use of such sewer facilities provided for in this paragraph is necessary and essential for the health and welfare of the inhabitants and residents of such districts and of the state: Provided, That if the public service district determines that the property owner must connect with the sewer facilities even when sewage from such dwellings may not flow to the main line by gravity and the property owner must incur costs for any changes in the existing dwellings' exterior plumbing in order to connect to the main sewer line, the public service district board shall authorize the district to pay all reasonable costs for such changes in the exterior plumbing, including, but not limited to, installation, operation, maintenance and purchase of a pump, or any other method approved by the bureau of public health; maintenance and operation costs for such extra installation should be reflected in the users charge for approval of the public service commission. The circuit court shall adjudicate the merits of such petition by summary hearing to be held not later than thirty days after service of petition to the appropriate owners, tenants or occupants.

Whenever any district has made available sewer facilities to any owner, tenant or occupant of any house, dwelling or building located near such sewer facility, and the engineer for the district has certified that such sewer facilities are available to and are adequate to serve such owner, tenant or occupant, and sewage will flow by gravity or be transported by such other methods approved by the bureau of public health from such house, dwelling or building into such sewer facilities, the district may charge, and such owner, tenant or occupant shall pay the rates and charges for services established under this article only after thirty-day notice of the availability of the facilities has been received by the owner.

All delinquent fees, rates and charges of the district for either water facilities, sewer facilities or gas facilities are liens on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes. In addition to the other remedies provided in this section, public service districts are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of delinquent water, sewer or gas bills. If the district collects the delinquent account, plus reasonable costs, from its customer or other responsible party, the district shall pay to the magistrate the

normal filing fee and reasonable costs which were previously deferred. In addition, each public service district may exchange with other public service districts a list of delinquent accounts.

Anything in this section to the contrary notwithstanding, any establishment, as defined in section three [§ 22-11-3], article eleven, chapter twenty-two, now or hereafter operating its own sewage disposal system pursuant to a permit issued by the division of environmental protection, as prescribed by section eleven [§ 22-11-11], article eleven, chapter twenty-two of this code, is exempt from the provisions of this section. (1953, c. 147; 1965, c. 134; 1980, c. 60; 1981, c. 124; 1986, c. 81; 1989, c. 174; 1994, c. 61.)

W. Va. Law Review. — Fisher, "The Scope of Title Examination in West Virginia: Can Reasonable Minds Differ?," 98 W. Va. L. Rev. 449 (1996).

Abandonment of private systems. — Where a public service district requires a property owner, tenant, or occupant to connect onto its sewer system and to abandon a private sewer system located on the property, such person cannot recover from the public service district the value of the private system on the ground that such abandonment constitutes a taking of private property without just compensation within the meaning of W. Va. Const., art. III, § 9. Kingmill Valley Pub. Serv. Dist. v. Riverview Estates Mobile Home Park, 182 W. Va. 116, 386 S.E.2d 483 (1989).

Buffer-zone requirements. — Public Service Commission did not err in finding that the proposed sewage lagoons site satisfied the buffer-zone requirements. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Duty to pay. — Owners, tenants, or occupants have a duty under this section to pay rates and charges for the district sewer facilities from and after the date of receipt of notice (now 30 days after receipt) that such facilities are available. Rhodes v. Malden Pub. Serv. Dist, 171 W. Va. 645, 301 S.E.2d 601 (1983) (construing this section prior to 1980 and 1981 amendments).

Liens. — The provision that delinquent fixed rates and charges for services rendered by a public service district shall be a lien on the premises served of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes, does not deprive the owners of their property without due process of law. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Public service district liens created and enforceable under this section are subject to the recordation requirements of § 38-10C-1 so that such liens must be docketed to be enforceable against a purchaser of the property for valuable consideration, without notice. McClung Invs., Inc. v. Green Valley Community Pub. Serv. Dist, 199 W. Va. 490, 485 S.E.2d 434 (1997).

Sewer connection requirements. — The boards of public service districts have no authority to require potential users who live outside the boundaries of the districts, but within the 10-mile limit, to hook onto the district's sewer facilities. Op. Att'y Gen., July 8, 1976.

Quoted in State ex rel. Water Dev. Auth. v. Northern Wayne County Pub. Serv. Dist., 195 W. Va. 135, 464 S.E.2d 777 (1995).

§ 16-13A-9a. Limitations with respect to foreclosure.

No public service district shall foreclose upon the premises served by such district for delinquent fees, rates or charges for which a lien is authorized by sections nine or nineteen [§§ 16-13A-9 or 16-13A-19] of this article except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the district lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the district prior to the bringing of such action had exhausted all other remedies for the collection of debts with respect to such delinquencies. In no event shall foreclosure procedures be instituted by any such district or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought. (1982, c. 74.)

§ 16-13A-10. Budget.

The board shall establish the beginning and ending of its fiscal year, which period shall constitute its budget year, and at least thirty days prior to the beginning of the first full fiscal year after the creation of the district and annually thereafter the general manager shall prepare and submit to the board a tentative budget which shall include all operation and maintenance expenses, payments to a capital replacement account and bond payment schedules for the ensuing fiscal year. Such tentative budget shall be considered by the board, and, subject to any revisions or amendments that may be determined by the board, shall be adopted as the budget for the ensuing fiscal year. Upon adoption of the budget, a copy of the budget shall be forwarded to the county commission. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the board. (1953, c. 147; 1981, c. 124.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

§ 16-13A-11. Accounts; audit.

The general manager, under direction of the board, shall install and maintain a proper system of accounts, in accordance with all rules, regulations or orders pertaining thereto by the public service commission, showing receipts from operation and application of the same, and the board shall at least once a year cause such accounts to be properly audited: Provided, That such audit may be any audit by an independent public accountant completed within one year of the time required for the submission of the report: Provided, however, That if the district is required to have its books, records and accounts audited annually by an independent certified public accountant as a result of any covenant in any board resolution or bond instrument, a copy of such audit may be submitted in satisfaction of the requirements of this section, and is hereby found, declared and determined to be sufficient to satisfy the requirements of article nine [§§ 6-9-1 et seq.], chapter six of this code pertaining to the annual audit report by the state tax commission. A copy of the audit shall be forwarded within thirty days of submission to the county commission and to the public service commission.

The treasurer of each public service district shall keep and preserve all financial records of the public service district for ten years, and shall at all times have such records readily available for public inspection. At the end of his term of office, the treasurer of each public service district shall promptly deliver all financial records of the public service district to his successor in office. Any treasurer of a public service district who knowingly or willfully violates any provision of this section is guilty of a misdemeanor, and shall be fined not less than one hundred dollars nor more than five hundred dollars or imprisoned in the county jail not more than ten days, or both. (1953, c. 147; 1981, c. 124; 1986, c. 81.)

Textbooks. — Instructions for Virginia and West Virginia, Publisher's Editorial Staff (Michie).

§ 16-13A-12. Disbursement of district funds.

No money may be paid out by a district except upon an order signed by the chairman and secretary of such board, or such other person or persons authorized by the chairman or secretary, as the case may be, to sign such orders on their behalf. Each order for the payment of money shall specify the purposes for which the amount thereof is to be paid, with sufficient clearness to indicate the purpose for which the order is issued, and there shall be endorsed thereon the name of the particular fund out of which it is payable and it shall be payable from the fund constituted for such purpose, and no other. All such orders shall be reflected in the minutes of the next meeting of the board. (1953, c. 147; 1981, c. 124.)

§ 16-13A-13. Revenue bonds.

For constructing or acquiring any public service properties for the authorized purposes of the district, or necessary or incidental thereto, and for constructing improvements and extensions thereto, and also for reimbursing or paying the costs and expenses of creating the district, the board of any such district is hereby authorized to borrow money from time to time and in evidence thereof issue the bonds of such district, payable solely from the revenues derived from the operation of the public service properties under control of the district. Such bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times not exceeding forty years from their respective dates, may bear interest at such rate or rates not exceeding eighteen percent per annum payable at such times, may be in such form, may carry such registration privileges, may be executed in such manner, may be payable at such place or places, may be subject to such terms of redemption with or without premium, may be declared or become due before maturity date thereof, may be authenticated in any manner, and upon compliance with such conditions, and may contain such terms and covenants as may be provided by resolution or resolutions of the board. Notwithstanding the form or tenor thereof, and in the absence of any express recital on the face thereof, that the bond is nonnegotiable, all such bonds shall be, and shall be treated as, negotiable instruments for all purposes. Bonds bearing the signatures of officers in office on the date of the signing thereof shall be valid and binding for all purposes notwithstanding that before the delivery thereof any or all of the persons whose signatures appear thereon shall have ceased to be such officers. Notwithstanding the requirements or provisions of any other law, any such bonds may be negotiated or sold in such manner and at such time or times as is found by the board to be most advantageous, and all such bonds may be sold at such price that the interest cost of the proceeds therefrom does not exceed nineteen percent per annum, based on the average maturity of such bonds and computed according to standard tables of bond values. Any resolu-

tion or resolutions providing for the issuance of such bonds may contain such covenants and restrictions upon the issuance of additional bonds thereafter as may be deemed necessary or advisable for the assurance of the payment of the bonds thereby authorized. (1953, c. 147; 1970, cc. 11, 12; 1970, 1st Ex. Sess., c. 2; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 1989, c. 174.)

Cross references. — Procedure for borrowing and issuing bonds, § 16-13A-25.

§ 16-13A-14. Items included in cost of properties.

The cost of any public service properties acquired under the provisions of this article shall be deemed to include the cost of the acquisition or construction thereof, the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest upon bonds prior to and during construction or acquisition and for six months after completion of construction or of acquisition of the improvements and extensions; engineering, fiscal agents and legal expenses; expenses for estimates of cost and of revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the construction or acquisition of the properties and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof. (1953, c. 147.)

§ 16-13A-15. Bonds may be secured by trust indenture.

In the discretion and at the option of the board such bonds may be secured by a trust indenture by and between the district and a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the State of West Virginia, but no such trust indenture shall convey, mortgage or create any lien upon the public service properties or any part thereof. The resolution authorizing the bonds and fixing the details thereof may provide that such trust indenture may contain such provisions for protecting and enforcing the rights and remedies of bondholders as may be reasonable and proper, not in violation of law, including covenants setting forth the duties of the district and the members of its board and officers in relation to the construction or acquisition of public service properties and the improvement, extension, operation, repair, maintenance and insurance thereof, and the custody, safeguarding and application of all moneys, and may provide that all or any part of the construction work shall be contracted for, constructed and paid for, under the supervision and approval of consulting engineers employed or designated by the board and satisfactory to the original bond purchasers, their successors, assignees or nominees, who may be given the right to require the security given by contractors and by any depository of the proceeds of bonds or revenues of the public service properties or other money pertaining thereto be satisfactory to such purchasers, their successors, assignees or

nominees. Such indenture may set forth the rights and remedies of the bondholders and such trustee. (1953, c. 147.)

§ 16-13A-16. Sinking fund for revenue bonds.

At or before the time of the issuance of any bonds under this article the board shall by resolution or in the trust indenture provide for the creation of a sinking fund and for monthly payments into such fund from the revenues of the public service properties operated by the district such sums in excess of the cost of maintenance and operation of such properties as will be sufficient to pay the accruing interest and retire the bonds at or before the time each will respectively become due and to establish and maintain reserves therefor. All sums which are or should be, in accordance with such provisions, paid into such sinking fund shall be used solely for payment of interest and for the retirement of such bonds at or prior to maturity as may be provided or required by such resolutions. (1953, c. 147.)

§ 16-13A-17. Collection, etc., of revenues and enforcement of covenants; default; suit, etc., by bondholder or trustee to compel performance of duties; appointment and powers of receiver.

The board of any such district shall have power to insert enforceable provisions in any resolution authorizing the issuance of bonds relating to the collection, custody and application of revenues of the district from the operation of the public service properties under its control and to the enforcement of the covenants and undertakings of the district. In the event there shall be default in the sinking fund provisions aforesaid or in the payment of the principal or interest on any of such bonds or, in the event the district or its board or any of its officers, agents or employees, shall fail or refuse to comply with the provisions of this article, or shall default in any covenant or agreement made with respect to the issuance of such bonds or offered as security therefor, then any holder or holders of such bonds and any such trustee under the trust indenture, if there be one, shall have the right by suit, action, mandamus or other proceeding instituted in the circuit court for the county or any of the counties wherein the district extends, or in any other court of competent jurisdiction, to enforce and compel performance of all duties required by this article or undertaken by the district in connection with the issuance of such bonds, and upon application of any such holder or holders, or such trustee, such court shall, upon proof of such defaults, appoint a receiver for the affairs of the district and its properties, which receiver so appointed shall forthwith directly, or by his agents and attorneys, enter into and upon and take possession of the affairs of the district and each and every part thereof, and hold, use, operate, manage and control the same, and in the name of the district exercise all of the rights and powers of such district as shall be deemed expedient, and such receiver shall have power and authority to collect and receive all revenues and apply same in such manner as the court shall

direct. Whenever the default causing the appointment of such receiver shall have been cleared and fully discharged and all other defaults shall have been cured, the court may in its discretion and after such notice and hearing as it deems reasonable and proper direct the receiver to surrender possession of the affairs of the district to its board. Such receiver so appointed shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of the district except as hereinbefore provided. (1953, c. 147.)

Rules of Civil Procedure. — As to abolition of the procedural distinctions between law and equity, see Rule 2.

As to receivers, see Rule 66.

As to application of rules to writ of mandamus, see Rule 81(a)(5).

As to effect of rules on jurisdiction and venue, see Rule 82.

Mandamus. — Mandamus is a proper remedy to be pursued by the holder of a municipal revenue bond to require a municipal corporation to comply with rate covenants in its revenue bonds. State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist., 151 W. Va. 207, 151 S.E.2d 102 (1966).

Under this section, any holder of the bonds of the Union public service district shall have the right by mandamus to enforce and compel the performance of all the duties required by statute or undertaken by the district in connection with the issuance of bonds by such district. State ex rel. Allstate Ins. Co. v. Union Pub. Serv. Dist., 151 W. Va. 207, 151 S.E.2d 102 (1966).

§ 16-13A-18. Operating contracts.

The board may enter into contracts or agreements with any persons, firms or corporations for the operation and management of the public service properties within the district, or any part thereof, for such period of time and under such terms and conditions as shall be agreed upon between the board and such persons, firms or corporations. The board shall have power to provide in the resolution authorizing the issuance of bonds, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the district as long as any of said bonds, or interest thereon, are outstanding and unpaid. (1953, c. 147.)

§ 16-13A-18a. Sale, lease or rental of water, sewer or gas system by district; distribution of proceeds.

In any case where a public service district owns a water, sewer or gas system, and a majority of not less than sixty percent of the members of the public service board thereof deem it for the best interests of the district to sell, lease or rent such water, sewer or gas system to any municipality or privately-owned water, sewer or gas system, or to any water, sewer or gas system owned by an adjacent public service district, the board may so sell, lease or rent such water, sewer or gas system upon such terms and conditions as said board, in its discretion, considers in the best interests of the district: Provided, That such sale, leasing or rental may be made only upon: (1) The publication of notice of a hearing before the board of the public service district, as a Class I legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, in a newspaper published and of general circulation in the county or counties wherein the district is located, such publication to be made not earlier than twenty days and not later than seven days prior to the hearing; (2) approval by the county commission or commis-

sions of the county or counties in which the district operates; and (3) approval by the public service commission of West Virginia.

In the event of any such sale, the proceeds thereof, if any, remaining after payment of all outstanding bonds and other obligations of the district, shall be ratably distributed to any persons who have made contributions in aid of construction of such water, sewer or gas system, such distribution not to exceed the actual amount of any such contribution, without interest, and any balance of funds thereafter remaining shall be paid to the county commission of the county in which the major portion of such water, sewer or gas system is located to be placed in the general funds of such county commission. (1963, c. 75; 1981, c. 124; 1986, c. 81; 1997, c. 160.)

§ 16-13A-19. Statutory mortgage lien created; foreclosure thereof.

There shall be and is hereby created a statutory mortgage lien upon such public service properties of the district, which shall exist in favor of the holders of bonds hereby authorized to be issued, and each of them, and the coupons attached to said bonds, and such public service properties shall remain subject to such statutory mortgage lien until payment in full of all principal of and interest on such bonds. Any holder of such bonds, of any coupons attached thereto, may, either at law or in equity, enforce said statutory mortgage lien conferred hereby and upon default in the payment of the principal of or interest on said bonds, may foreclose such statutory mortgage lien in the manner now provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property. (1953, c. 147.)

Rules of Civil Procedure. — As to abolition of the procedural distinctions between law and equity, see Rule 2.

In general. — The provision granting bondholders a statutory mortgage lien is valid. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

§ 16-13A-20. Refunding revenue bonds.

The board of any district having issued bonds under the provisions of this article is hereby empowered thereafter by resolution to issue refunding bonds of such district for the purpose of retiring or refinancing such outstanding bonds, together with any unpaid interest thereon and redemption premium thereunto appertaining and all of the provisions of this article relating to the issuance, security and payment of bonds shall be applicable to such refunding bonds, subject, however, to the provisions of the proceedings which authorized the issuance of the bonds to be so refunded. (1953, c. 147.)

In general. — The only purpose for refunding bonds is the retirement or refinancing of outstanding bond issues of a particular district. Op. Att'y Gen., July 8, 1976.

Combination of bond issues. — Combination of two outstanding bond issues into one refunding bond issue may well be restricted by the use of the singular language in this section. Op. Att'y Gen., July 8, 1976.

Previous issuance of bonds. — This section is clearly written in language which speaks only of refunding bonds issued by any district which has previously issued bonds. Op. Att'y Gen., July 8, 1976.

§ 16-13A-21. Complete authority of article; liberal construction; district to be public instrumentality; tax exemption.

This article is full and complete authority for the creation of public service districts and for carrying out the powers and duties of same as herein provided. The provisions of this article shall be liberally construed to accomplish its purpose and no procedure or proceedings, notices, consents or approvals, are required in connection therewith except as may be prescribed by this article: Provided, That all functions, powers and duties of the public service commission of West Virginia, the bureau of public health, the division of environmental protection and the environmental quality board remain unaffected by this article. Every district organized, consolidated, merged or expanded under this article is a public instrumentality created and functioning in the interest and for the benefit of the public, and its property and income and any bonds issued by it are exempt from taxation by the state of West Virginia, and the other taxing bodies of the state: Provided, however, That the board of any such district may use and apply any of its available revenues and income for the payment of what such board determines to be tax or license fee equivalents to any local taxing body and in any proceedings for the issuance of bonds of such district may reserve the right to annually pay a fixed or computable sum to such taxing bodies as such tax or license fee equivalent. (1953, c. 147; 1986, c. 81; 1994, c. 61.)

Constitutionality. — The tax exemption granted to the property, income, and bonds of the district does not violate W. Va. Const., art. X, § 1. State ex rel. McMillion v. Stahl, 141 W. Va. 233, 89 S.E.2d 693 (1955).

Applied in Rhodes v. Malden Pub. Serv. Dist, 171 W. Va. 645, 301 S.E.2d 601 (1983).

§ 16-13A-22. Validation of prior acts and proceedings of county courts for creation of districts, inclusion of additional territory, and appointment of members of district boards.

All acts and proceedings taken by any county court [county commission] of this State purporting to have been carried out under the provisions of this article which have been taken, prior to the date this section takes effect for the purpose of creating public service districts or for the purpose of subsequent inclusion of additional territory to existing public service districts, after notice published by any such county court having territorial jurisdiction thereof of its intention to include such additional territory after hearing thereon, are hereby validated, ratified, approved and confirmed notwithstanding any other lack of power (other than constitutional) of any such county court to create such public service districts or to include additional territory to existing public service districts or irregularities (other than constitutional) in such proceedings, relating to the appointment and qualification of more than three members to the board of any such public service district or the subsequent appointment of successors of any or all of such members, notwithstanding that no city,

incorporated town or other municipal corporation having a population in excess of three thousand is included within the district, and the appointment and qualification of such members, and further including any irregularities in the petition for the creation of any public service district, irregularities in the description of the area embraced by such district, and irregularities in the notice and publication of notice for the hearing creating such district, prior to the date this section takes effect, is hereby validated, ratified, approved and confirmed; and, further, in such cases where more than three members of the board of such districts have been so appointed prior to the date this section takes effect then such county court shall appoint, and they are hereby authorized and empowered to appoint, successors to such members in the manner as otherwise provided by this article. (1958, c. 14; 1960, c. 19.)

Editor's notes. — For construction of the county court as the county commission, see W.Va. Const. art. IX, § 9.

Concerning the reference to "the date this section takes effect", Acts 1958, c. 14, which enacted this section and included this language, became effective February 1, 1958. Acts 1960, c. 19, which amended this section, provided that the act take effect January 29, 1960.

§ 16-13A-23. Validation of acts and proceedings of public service boards.

All acts and proceedings taken by any public service board the members of which were appointed, prior to the date this section takes effect, by any county court [county commission] of this State having territorial jurisdiction thereof, are hereby validated, ratified, approved and confirmed, as to defects and irregularities which may otherwise exist on account of their appointment and qualification: Provided, however, That nothing herein contained shall be construed to excuse a criminal act. (1958, c. 14; 1960, c. 19; 1965, c. 134.)

Editor's notes. — For construction of the county court as the county commission, see W.Va. Const. art. IX, § 9.

Concerning the reference to "the date this section takes effect", Acts 1965, c. 134, which amended this section, provided that the act take effect March 13, 1965.

§ 16-13A-24. Acceptance of loans, grants or temporary advances.

Any public service district created pursuant to the provisions of this article is authorized and empowered to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of construction or acquisition of water systems, sewage systems or gas facilities, or all of these, and the other purposes herein authorized, from any authorized agency or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of the bonds authorized to be issued under the provisions of this

article, the revenues of the said water system, sewage system or gas facilities or grants to the public service district from any authorized agency or from the United States of America or any federal or public agency or department of the United States or from any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any authorized agency or the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article to the contrary notwithstanding, interest on any such loans or temporary advances may be paid from the proceeds thereof until the maturity of such notes or other negotiable instrument. (1958, c. 14; 1980, c. 60; 1981, c. 124; 1986, c. 118.)

Permissible borrowing. — The borrowing by public service districts of money from counties and/or municipalities, as evidenced by a note, is permissible borrowing under this section. Op. Att'y Gen., May 6, 1988, No. 27.

§ 16-13A-25. Borrowing and bond issuance; procedure.

Notwithstanding any other provisions of this article to the contrary, a public service district shall not borrow money, enter into contracts for the provision of engineering, design or feasibility studies, issue or contract to issue revenue bonds or exercise any of the powers conferred by the provisions of section thirteen, twenty or twenty-four [§ 16-13A-13, § 16-13A-20 or § 16-13A-24] of this article, without the prior consent and approval of the public service commission. The public service commission may waive the provision of prior consent and approval for entering into contracts for engineering, design or feasibility studies pursuant to this section for good cause shown which is evidenced by the public service district filing a request for waiver of this section stated in a letter directed to the commission with a brief description of the project, evidence of compliance with chapter five-g [§§ 5G-1-1 et seq.] of this code, and further explanation of ability to evaluate their own engineering contract, including, but not limited to: (1) Experience with the same engineering firm in the past two years requiring engineering services; or (2) completion of a construction project within the past two years requiring engineering services. The district shall also forward an executed copy of the engineering contract to the commission after receiving approval of the waiver. Unless the properties to be constructed or acquired represent ordinary extensions or repairs of existing systems in the usual course of business, a public service district must first obtain a certificate of public convenience and necessity from the public service commission in accordance with the provisions of chapter twenty-four [§§ 24-1-1 et seq.] of this code, when a public service district is seeking to acquire or construct public service property.

Thirty days prior to making formal application for the certificate, the public service district shall prefile with the public service commission its plans and supporting information for the project and shall publish a Class II legal advertisement in a newspaper or newspapers of general circulation in each city, incorporated town or municipal corporation if available in the public service district, which legal advertisement shall state:

(a) The amount of money to be borrowed, or the amount of revenue bonds to be issued: Provided, That if the amount is an estimate, the notice may be stated in terms of an amount "not to exceed" a specific amount;

(b) The interest rate and terms of the loan or bonds: Provided, That if the interest rate is an estimate, the notice may be stated in terms of a rate "not to exceed" a specific rate;

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

(d) The anticipated rates which will be charged by the public service district: Provided, That if the rates are an estimate, the notice may be stated in terms of rates "not to exceed" a specific rate; 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. The public service commission may grant its consent and approval for the certificate, or any other request for approval under this section, subject to such terms and conditions as may be necessary for the protection of the public interest, pursuant to the provisions of chapter twenty-four of this code, or may withhold such consent and approval for the protection of the public interest.

In the event of disapproval, the reasons for the disapproval shall be assigned in writing by the commission. (1969, 1st Ex. Sess., c. 6; 1981, c. 124; 1986, c. 81; 1996, c. 213; 1997, c. 159.)

Cross references. — Class II legal advertisement defined, § 59-3-2.

Certificate. — Under this section, a public service district must first obtain a certificate of public convenience and necessity before it can acquire or construct public service property. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

Eminent domain. — Although construction of a new facility proposed by a utility will often require the taking of private property through eminent domain, in the absence of express statutory language, the public service commission has no duty to review and decide issues that are inherent in the eminent domain proceeding. Sexton v. Public Serv. Comm'n, 188 W. Va. 305, 423 S.E.2d 914 (1992).

ARTICLE 13B.

COMMUNITY IMPROVEMENT ACT.

Sec.
16-13B-1. Short title.
16-13B-2. Definitions.
16-13B-3. Power and authority of counties and municipalities relating to flood relief, wastewater and water projects.
16-13B-4. Determination of need and feasibility of creating an assessment district.
16-13B-5. Notice to property owners before creation of assessment district and construction of project; form of notice; affidavit of publication.
16-13B-6. Petition of property owners for creation of assessment district.
16-13B-7. Receipt of petition of property owners; ordinance or order authorizing creation of assessment district and construction of project.
16-13B-8. Assessment district to be a public corporation and political subdivision; powers thereof; community improvement boards.
16-13B-9. Provisions for construction of a project.
16-13B-10. Notice to property owners of assessments; hearings, correcting and laying assessments; report on project completion; permits.
16-13B-11. Construction of projects; assessments; corner lots, etc.
16-13B-12. Apportionment and assessment of cost.

quality board, and the rights, powers, and duties of the municipal corporation and the respective officers and departments thereof, including the sanitary board, are governed by the provisions of this article: Provided, That the jurisdiction and authority provided by this section does not extend to highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways and no rates, fees or charges for stormwater services or costs of compliance may be assessed against highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways. (1955, c. 135; 1967, c. 105; 1994, c. 61; 2001, c. 212.)

Effect of amendment of 2001. — Acts 2001, c. 212, effective July 13, 2001, substituted "the" for "such" throughout, substituted "the" for "said" throughout, inserted "fees" following "rates" throughout; in the first paragraph, inserted "and/or stormwater system" following "existing sewer system", inserted "or stormwater system" following "such sewer system"; in the second paragraph, inserted "or stormwater" following "sewage", inserted "or stormwater facilities" following "sewer facilities"; in the fourth paragraph, added "or entire stormwater works" to the end; in the sixth paragraph, deleted "such" following "fixing" and "publication of"; in the eighth paragraph, deleted "such" preceding "rates" twice; and in the last paragraph, added the proviso.

ARTICLE 13A.

PUBLIC SERVICE DISTRICTS FOR WATER, SEWERAGE AND GAS SERVICES.

Sec.
16-13A-4. Board chairman; members' compensation; procedure; district name.

§ 16-13A-2. Creation of districts by county commission; enlarging, reducing, merging, or dissolving district; consolidation; agreements, etc.; infringing upon powers of county commission; filing list of members and districts with the secretary of state.

Applied in Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

§ 16-13A-3. District to be a public corporation and political subdivision; powers thereof; public service boards.

Applied in McCloud v. Salt Rock Water Pub. Serv. Dist., 207 W. Va. 453, 533 S.E.2d 679 (2000).

§ 16-13A-4. Board chairman; members' compensation; procedure; district name.

(a) The chairman shall preside at all meetings of the board and may vote as any other member of the board. If the chairman is absent from any meeting, the remaining members may select a temporary chairman and if the member selected as chairman resigns as such or ceases for any reason to be a member of the board, the board shall select one of its members as chairman to serve until the next annual organization meeting.

(b) Salaries of the board members are:

(1) For districts with fewer than six hundred customers, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with six hundred customers or more but fewer than two thousand customers, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with two thousand customers or more, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with four thousand or more customers, up to one hundred fifty dollars per attendance at regular monthly meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served to the public service commission beginning on the first day of July, one thousand nine hundred eighty-six, and continue each fiscal year thereafter.

(c) Public service districts selling water to other water utilities for resale may adopt the following salaries for its board members:

(1) For districts with annual revenues of less than fifty thousand dollars, up to seventy-five dollars per attendance at regular monthly meetings and fifty dollars per attendance at additional special meetings, total salary not to exceed fifteen hundred dollars per annum;

(2) For districts with annual revenues of fifty thousand dollars or more, but less than two hundred fifty thousand dollars, up to one hundred dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at special meetings, total salary not to exceed two thousand five hundred fifty dollars per annum;

(3) For districts with annual revenues of two hundred fifty thousand dollars or more, but less than five hundred thousand dollars, up to one hundred twenty-five dollars per attendance at regular monthly meetings and seventy-five dollars per attendance at additional special meetings, total salary not to exceed three thousand seven hundred fifty dollars per annum; and

(4) For districts with annual revenues of five hundred thousand dollars or more, up to one hundred fifty dollars per attendance at regular monthly

meetings and one hundred dollars per attendance at additional special meetings, total salary not to exceed five thousand four hundred dollars per annum.

The public service district shall certify the number of customers served and its annual revenue to the public service commission beginning on the first day of July, two thousand, and continue each fiscal year thereafter.

(d) Board members may be reimbursed for all reasonable and necessary expenses actually incurred in the performance of their duties as provided for by the rules of the board.

(e) The board shall by resolution determine its own rules of procedure, fix the time and place of its meetings and the manner in which special meetings may be called. Public notice of meetings shall be given in accordance with section three [§ 6-9A-3], article nine-a, chapter six of this code. Emergency meetings may be called as provided for by said section. A majority of the members constituting the board also constitute a quorum to do business.

(f) The members of the board are not personally liable or responsible for any obligations of the district or the board, but are answerable only for willful misconduct in the performance of their duties. At any time prior to the issuance of bonds as hereinafter provided, the board may by resolution change the official or corporate name of the public service district and the change is effective from the filing of an authenticated copy of such resolution with the clerk of the county commission of each county in which the territory embraced within such district or any part thereof is located and with the public service commission. The official name of any district created under the provisions of this article may contain the name or names of any city, incorporated town or other municipal corporation included therein or the name of any county or counties in which it is located. (1953, c. 147; 1981, c. 124; 1986, c. 81; 1997, c. 159; 2000, c. 199.)

Effect of amendment of 2000. — Acts 2000, c. 199, effective June 9, 2000, rewrote the section.

§ 16-13A-8. Acquisition and purchase of public service properties; right of eminent domain; extraterritorial powers.

Superior right of municipality to extend public services. — If a tract of real estate located within a public service district has been annexed into a municipality, then, as between the municipality and the public service district, the municipality has the superior right under this section to extend public services, such as water and/or sewer service, which were not being previously furnished to the tract by the public service district. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

When consent of municipality needed. — Where municipality has superior right to extend social services, a public service district would need the consent of the municipality and the public service commission in order to provide such services. Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

ARTICLE 13C.

DRINKING WATER TREATMENT REVOLVING FUND ACT.

Sec.
16-13C-1. Definitions.
16-13C-3. Drinking water treatment revolving fund; duties of division of health and water development authority; set-aside accounts.

§ 16-13C-1. Definitions.

Unless the context in which used clearly requires a different meaning, as used in this article:

(1) "Authority" means the water development authority provided for in section four [§ 22C-1-4], article one, chapter twenty-two-c of this code.

(2) "Capacity development" means the technical, managerial and financial capability of a public water system.

(3) "Cost" means the cost of all labor, materials, machinery, equipment, lands, property, rights and easements, plans and specifications and all other expenses necessary or incident to the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of a project.

(4) "Disadvantaged community" means the service area of a public water system that meets affordability criteria established after public review and comment by the state.

(5) "Federal safe drinking water act" means the federal statute commonly known as the "Safe Drinking Water Act", 42 U.S.C. 300f et seq., as enacted, amended, and as may be subsequently amended.

(6) "Fund" means the West Virginia drinking water treatment revolving fund created in this article.

(7) "Instrumentality" means the division of health which has the primary responsibility for administering the fund and this article pursuant to requirements of the federal safe drinking water act.

(8) "Local entity" means any municipality, public utility, or person, including any individual, firm, partnership, association, not-for-profit corporation or other corporation organized and existing under the laws of the state which may construct and operate an eligible project.

(9) "Public water system" means that term as defined in section nine-a [§ 16-1-9a], article one, chapter sixteen of the code.

(10) "Project" means a project for improving a drinking water system for the purpose of achieving or maintaining compliance with applicable state and federal drinking water regulations.

(11) "Set-aside accounts" means those accounts that shall be set up for activities required by the federal Safe Drinking Water Act and the moneys for these accounts may be taken from the federal capitalization grant for these nonproject activities before the capitalization grant is deposited into the fund.

(12) "Small system" means a public water system serving ten thousand or fewer persons. (1997, c. 225; 1998, c. 170.)

between the authority and such federal agency and that the authority shall continue to have and exercise all powers granted for carrying out the purposes of this article for so long as necessary. (1989, c. 54.)

§ 31-15-29. Audits.

As soon as possible after the close of each fiscal year, the authority shall make an annual report of its activities for the preceding fiscal year to the governor and the Legislature. Each such report shall set forth a complete operating and financial statement covering the authority's operations during the preceding fiscal year. The authority shall cause an audit of its books and accounts to be made at least once each fiscal year by certified public accountants and the cost thereof may be treated as a part of the cost of construction or of operations of its projects. (1989, c. 54.)

§ 31-15-30. Projects not to be considered public improvements.

No project, enterprise or business facility which conducts as its primary activity a manufacturing process or other nongovernmental or nonpublic activity may be deemed to be a "public improvement" within the meaning of the provisions of article five-a [§ 21-5A-1 et seq.], chapter twenty-one of this code. (1989, c. 54.)

§ 31-15-31. Foreign trade zones; authority approval.

Any public corporation located in the state is hereby authorized to apply for, develop, maintain and operate a foreign trade zone in the state pursuant to and in accordance with all applicable provisions of federal law: Provided, That any public corporation desiring to apply for or develop a foreign trade zone must first receive the approval of the authority. (1989, c. 54.)

§ 31-15-32. Severability.

If any section, subsection, subdivision, subparagraph, sentence or clause of this article is adjudged to be unconstitutional or invalid, such adjudication shall not affect the validity of the remaining portions of this article, and, to this end, the provisions of this article are hereby declared to be severable. (1989, c. 54.)

§ 31-15-33. Construction.

The provisions of this article are remedial and shall be liberally construed and applied so as to promote the purposes set out in section three [§ 31-15-3] of this article. (1989, c. 54.)

ARTICLE 15A.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL.

Sec.
31-15A-1. Short title.
31-15A-2. Definitions.
31-15A-3. West Virginia infrastructure and jobs development council continued; members of council; staff of council.
31-15A-4. Development of guidelines and preliminary application for funding assistance.
31-15A-5. Requirements for project funding assistance; review of project preliminary applications by council.
31-15A-6. Powers, duties and responsibilities of the council generally; comprehensive assessment.
31-15A-7. Current and prospective planning; roads and highways; report to division of highways.
31-15A-8. Exemption of certain emergency projects from certificate of public convenience and necessity requirements; review of certain emergency projects by public service commission; and exemption for North Fork Hughes River watershed project.
31-15A-9. Infrastructure fund; deposits in fund; disbursements to provide loans, loan guarantees, grants and other assistance; loans, loan guarantees, grants and other assistance shall be subject to assistance agreements.
31-15A-10. Recommendations by council for expenditures of funds by loan, grant or for engineering assistance.
31-15A-11. Reservation of funds for projects and infrastructure projects.
31-15A-12. Additional powers of water development authority.
31-15A-13. Prohibition on funds inuring to the benefit of or being distributable to water development board; transactions between the water development board and officers having certain interests in such transactions.
31-15A-14. Termination or dissolution.
31-15A-15. Projects not to be considered public improvements; competitive bid requirements.
31-15A-16. Dedication of severance tax proceeds.

§ 31-15A-1. Short title.

This article shall be known and may be cited as the "West Virginia Infrastructure and Jobs Development Act." (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-2. Definitions.

For purposes of this article:

(a) "Code" means the code of West Virginia, one thousand nine hundred thirty-one, as amended;

(b) "Cost" means, as applied to any project to be financed in whole or in part with infrastructure revenues or funds otherwise provided pursuant to this article, the cost of planning, acquisition, improvement and construction of the project; the cost of preliminary design and analysis, surveys, borings; the cost of environmental, financial, market and engineering feasibility studies, assessments, applications, approvals, submissions or clearances; the cost of preparation of plans and specifications and other engineering services; the cost of acquisition of all land, rights-of-way, property rights, easements, franchise rights and any other interests required for the acquisition, repair, improvement or construction of the project; the cost of demolishing or removing any

buildings or structures on land so acquired, including the cost of acquiring any lands to which buildings or structures may be moved; the cost of excavation, grading, shaping or treatment of earth, demolishing or removing any buildings or structures; the cost of constructing any buildings or other improvements; the cost of all pumps, tanks, vehicles, apparatus and other machinery, furnishings and equipment; loan or origination fees and all finance charges and interest incurred prior to and during the construction and for no more than six months after completion of construction; the cost of all legal services and expenses; the cost of all plans, specifications, surveys and estimates of cost; all working capital and other expenses necessary or incident to determining the feasibility or practicability of acquiring, repairing, improving or constructing any project; the cost of placing any project in operation; and all other costs and expenses of any kind or nature incurred or to be incurred by the project sponsor developing the project that are reasonable and necessary for carrying out all works and undertakings necessary or incident to the accomplishment of any project: Provided, That costs shall not include any amounts related to the ongoing operations of the owner or operator, depreciation thereof or any other cost which the council or the water development authority has not determined to be consistent with the purposes and objectives of this article;

(c) "Council" means the West Virginia infrastructure and jobs development council created in section three [§ 31-15A-3] of this article;

(d) "Division of environmental protection" means the division of environmental protection established under article one [§ 22-1-1 et seq.], chapter twenty-two of this code, or any successor to all or any substantial part of its powers and duties;

(e) "Division of health" means the division of health created in article one [§ 16-1-1 et seq.], chapter sixteen of this code, or any successor to all or any substantial part of its powers and duties;

(f) "Economic development authority" means the economic development authority established under article fifteen [§ 31-15-1 et seq.], chapter thirty-one of the code, or any successor to all or any substantial part of its powers and duties;

(g) "Emergency project" means a project which the council has determined (i) is essential to the immediate economic development of an area of the state and (ii) will not likely be developed in that area if construction of the project is not commenced immediately;

(h) "Governmental agency" means any county; municipality; watershed improvement district; assessment district; soil conservation district; sanitary district; public service district; drainage district; regional governmental authority and any other state governmental agency, entity, political subdivision or public corporation or agency authorized to acquire, construct or operate water or waste water facilities or infrastructure projects;

(i) "Housing development fund" means the West Virginia housing development fund established under article eighteen [§ 31-18-1 et seq.] of this chapter, or any successor to all or any substantial part of its powers and duties;

(j) "Infrastructure fund" means the West Virginia infrastructure fund created and established in section nine [§ 31-15A-9] of this article;

(k) "Infrastructure project" means a project in the state which the council determines is likely to foster and enhance economic growth and development in the area of the state in which the project is developed, for commercial, industrial, community improvement or preservation or other proper purposes, including, without limitation, tourism and recreational housing, land, air or water transportation facilities and bridges, industrial or commercial projects and facilities, mail order, warehouses, wholesale and retail sales facilities and other real and personal properties, including facilities owned or leased by this state or any other project sponsor, and includes, without limitation (1) the process of acquiring, holding, operating, planning, financing, demolition, construction, improving, expanding, renovation, leasing or otherwise disposing of the project or any part thereof or interest therein, and (2) preparing land for construction and making, installing or constructing improvements on the land, including water or waste water facilities or any part thereof, steam, gas, telephone and telecommunications and electric lines and installations, roads, bridges, railroad spurs, buildings, docking and shipping facilities, curbs, gutters, sidewalks, and drainage and flood control facilities, whether on or off the site;

(l) "Infrastructure revenue" means all amounts appropriated by the Legislature; all amounts deposited into the infrastructure fund; any amounts received, directly or indirectly, from any source for the use of all or any part of any project completed pursuant to this article; and any other amounts received by the state treasurer, council or the water development authority for the purposes of this article;

(m) "Project" means any waste water facility, water facility project or any combination thereof, constructed or operated or to be constructed or operated by a project sponsor;

(n) "Project sponsor" means any governmental agency or person, or any combination thereof, including, but not limited to, any public utility, which intends to plan, acquire, construct, improve or otherwise develop a project;

(o) "Public service commission" means the public service commission of West Virginia created and established under section three [§ 24-1-3], article one, chapter twenty-four of this code, or any successor to all or any substantial part of its powers and duties;

(p) "Person" means any individual, corporation, partnership, association, limited liability company or any other form of business organization;

(q) "Public utility" means any person or persons, or association of persons, however associated, whether incorporated or not, including, without limitation, any governmental agency, operating a waste water facility or water facility as a public service, which is regulated by the public service commission as a public utility under chapter twenty-four [§ 24-1-1 et seq.] of this code or which is required to file its tariff with the public service commission;

(r) "State development office" means the West Virginia development office established under article two [§ 5B-2-1 et seq.], chapter five-b of this code, or any successor to all or any substantial part of its powers and duties;

(s) "State infrastructure agency" means the division of health, division of environmental protection, housing development fund, public service commis-

sion, state development office, water development authority, economic development authority and any other state agency, division, body, authority, commission, instrumentality or entity which now or in the future receives applications for the funding of, and provides funding or technical assistance to, the planning, acquisition, construction or improvement of a project;

(t) "Waste water facility" means all facilities, land and equipment used for or in connection with treating, neutralizing, disposing of, stabilizing, cooling, segregating or holding waste water, including, without limitation, facilities for the treatment and disposal of sewage, industrial wastes or other wastes, waste water, and the residue thereof; facilities for the temporary or permanent impoundment of waste water, both surface and underground; and sanitary sewers or other collection systems, whether on the surface or underground, designed to transport waste water together with the equipment and furnishings therefor or thereof and their appurtenances and systems, whether on the surface or underground including force mains and pumping facilities therefor;

(u) "Water development authority" means the West Virginia water development authority established under article five-c [§ 20-5C-1 et seq., repealed], chapter twenty of this code, or any successor to all or any substantial part of its powers and duties; and

(v) "Water facility" means all facilities, land and equipment used for or in connection with the collection and/or storage of water, both surface and underground, transportation of water, storage of water, treatment of water and distribution of water all for the purpose of providing potable, sanitary water suitable for human consumption and use. (1994, 1st Ex. Sess., c. 26.)

Editor's notes. — Former § 20-5C-1 et seq., referred to in (u), was repealed by Acts 1994, c. 61. For provisions similar to former § 20-5C-1 et seq., see § 22C-1-1 et seq.

§ 31-15A-3. West Virginia infrastructure and jobs development council continued; members of council; staff of council.

(a) The West Virginia infrastructure and jobs development council is hereby continued. The council is a governmental instrumentality of the state. The exercise by the council of the powers conferred by this article and the carrying out of its purpose and duties shall be considered and held to be, and are hereby determined to be, essential governmental functions and for a public purpose.

(b) The council shall consist of eleven members, including the executive director of the housing development fund or his or her designee, the director of the division of environmental protection or his or her designee, the director of the economic development authority or his or her designee, the director of the water development authority or his or her designee, the executive director of the state development office or his or her designee, the director of the division of health or his or her designee, the chairman of the public service commission or his or her designee, and four members representing the general public: Provided, That there shall be at least one member representing the general public from each congressional district: Provided, however, That after the expiration of the term of office of the members first appointed as representatives of the general public, no more than one member representing the general public may be a resident of the same county. The governor shall appoint the public members of the council who shall serve three-year staggered terms. The commissioner of the division of highways, the executive director of the state rail authority, two members of the West Virginia Senate, two members of the West Virginia House of Delegates, one representative of the board of directors of the state college system and one representative of the board of trustees of the university of West Virginia shall serve as advisory members of the council. The governor shall appoint the legislative members of the council: Provided, further, That no more than three of the legislative members may be of the same political party. The governor shall appoint the representatives of the governing boards from a list of three names submitted by each governing board. The advisory members shall be ex officio, nonvoting members of the council.

(c) The council shall annually elect one of its members as chairman, and shall appoint a secretary, who need not be a member of the council and who shall keep records of its proceedings. Six members of the council shall constitute a quorum and the affirmative vote of at least the majority of those members present shall be necessary for any action taken by vote of the council. No vacancy in the membership of the council impairs the rights of a quorum by such vote to exercise all the rights and perform all the duties of the council.

(d) No member of the council who serves by virtue of his or her office shall receive any compensation or reimbursement of expenses for serving as a member. The members of the council who represent the general public shall receive reimbursement for actual expenses incurred in the service of the council.

(e) The council shall meet at least monthly to review projects and infrastructure projects requesting funding assistance and otherwise to conduct its business, and shall meet more frequently if necessary. Notwithstanding any other provision of this article to the contrary, the economic development authority shall not be subject to council review with regard to any action taken pursuant to the authority established in article fifteen [§ 31-15-1 et seq.], chapter thirty-one of this code nor shall the governor's civil contingent fund be subject to council review with regard to projects or infrastructure projects funded through the governor's civil contingent fund.

(f) The water development authority shall provide office space for the council, and each governmental agency represented on the council shall provide staff support for the council in the manner determined by the council from time to time.

(g) The council shall invite to all its meetings one or more representatives of the United States department of agriculture, rural economic community development, the United States economic development agency and the United States army corps of engineers or any successors thereto. The council shall also invite such other appropriate parties as may be necessary to effectuate the purposes of this article. (1994, 1st Ex. Sess., c. 26; 1995, c. 130.)

Effect of amendment of 1995. — The amendment, effective March 10, 1995, in (a), rewrote the first sentence and substituted "is" for "shall be" in the second sentence; in (b), substituted "eleven members" for "nine members" following "shall consist of," substituted

"four members" for "two members" preceding "representing the general public", added the provisos at the end of the first sentence, and made minor punctuation changes; substituted "six members" for "five members" in the second sentence in (c); and rewrote (d), (e), and (g).

§ 31-15A-4. Development of guidelines and preliminary application for funding assistance.

(a) To implement and carry out the intent of this article, the council shall promulgate legislative rules in accordance with article three [§ 29A-3-1 et seq.], chapter twenty-nine-a of this code to develop comprehensive, uniform guidelines for use by the council and other state infrastructure agencies in evaluating any request by a project sponsor for funding assistance to plan, acquire, construct, improve or otherwise develop a project or infrastructure project. The guidelines shall include the following factors: (1) the public health benefits of the project or infrastructure project; (2) the economic development benefits of the project or infrastructure project; (3) the degree to which the project or infrastructure project will correct deficiencies in the compliance of water supply or sewage treatment facilities with state or federal laws, regulations or standards; (4) the degree to which the project or infrastructure project encourages effective and efficient consolidation of water or sewage treatment systems consistent with the comprehensive plan developed pursuant to section six [§ 31-15A-6], of this article; (5) the cost effectiveness of the project or infrastructure project as compared with alternatives which achieve substantially the same public health or economic development benefits, including the consideration of providing maximum feasible fire protection; (6) the availability of alternative sources of funding which could finance all or a part of the project and infrastructure project, and the need for the assistance of the council to finance the project or infrastructure project or attract other sources of funding; (7) the applicant's ability to operate and maintain the system if the project or infrastructure project is approved; (8) the degree to which the project or infrastructure project achieves other state or regional planning goals; (9) the estimated date upon which the project or infrastructure project could commence if funding were available and the estimated completion date of the project or infrastructure project; and (10) such other considerations as the council may consider necessary or appropriate to accomplish the purpose and intent of this article.

(b) The council shall create a preliminary application form which shall be used by all project sponsors requesting funding assistance from state infrastructure agencies to plan, acquire, construct, improve or otherwise develop an infrastructure project or project. The preliminary application form shall contain all information required by all state infrastructure agencies that will be required to issue permits and/or certificates regarding the project or infrastructure project. The preliminary application shall require the project sponsor to set forth the type and proposed location of the infrastructure project or project; the estimated total cost of the project; the amount of funding assistance required and the specific uses of the funding; other sources of funding available or potentially available for the infrastructure project or project; information demonstrating the need for the infrastructure project or

project and that the proposed funding of the project is the most economically feasible and viable alternative to completing the project or infrastructure project; and such other information as the council considers necessary to enable it to recommend the type of project or infrastructure project financing, in terms of the kind, amount and source of funding, which the project sponsor should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds, and to otherwise carry out the intent of this article. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-5. Requirements for project funding assistance; review of project preliminary applications by council.

(a) No project sponsor may apply for or receive any loan, loan guarantee, grant or other funding assistance for a project or infrastructure project from any state infrastructure agency (i) unless the project sponsor requiring the funding assistance first submits a completed preliminary application to the council on the form prepared for such purpose by the council pursuant to section four of this article, and (ii) except as may be recommended by the council after consideration of the preliminary application: Provided, That any project sponsor which has an infrastructure project or project with either acceptable bids or all funding in place on the effective date of this act is not required to comply with the provisions of this section.

(b) The council shall, within thirty days of receipt of each completed preliminary application submitted to it, review the preliminary application and either (i) make a written recommendation as to the infrastructure project or project financing, in terms of the kind, amount and source of funding, which the project sponsor submitting the application should pursue and which the state infrastructure agency or agencies should consider an appropriate investment of public funds, or (ii) if the council determines that (1) the proposed project or infrastructure project is not eligible for funding assistance from any state infrastructure agency, or (2) the proposed project or infrastructure project is not otherwise an appropriate or prudent investment of state funds, the council shall recommend that the project sponsor not seek funding from any state infrastructure agency. A project sponsor shall include the preliminary application and the council's recommendations in any application to a state infrastructure agency.

(c) The council shall provide a copy of its recommendation with respect to each preliminary application, together with a copy of the preliminary application, to all appropriate state infrastructure agencies, which shall take into account the council's recommendations with respect to a project or infrastructure project before taking any action with respect to the project. No state infrastructure agency shall take any action inconsistent with the recommendation of the council unless the governing body of the agency, or the head of the agency if it has no governing body, expressly finds and determines that the recommendation is not in the best interest of the state or the area in which the proposed infrastructure project or project is to be located.

(d) In reviewing each preliminary application, the council shall use the engineering, financial and technical expertise of the respective staffs of the state infrastructure agencies represented on the council so as to recommend for funding those projects or infrastructure projects which are consistent with the purposes and intent of this article and with the policies and priorities of this state generally. The council may include in its findings a recommendation that a state infrastructure agency consider technical reports on the project prepared by other infrastructure agencies or by any federal agency. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-6. Powers, duties and responsibilities of the council generally; comprehensive assessment.

(a) In addition to the powers set forth elsewhere in this article, the council is hereby granted, has and may exercise all powers necessary or appropriate to carry out and effectuate the purposes and intent of this article. The council shall have the power and capacity to:

(1) Provide consultation services to project sponsors in connection with the planning, acquisition, improvement, construction or development of any infrastructure project or project;

(2) Periodically prepare a list of infrastructure projects or projects which cannot meet the established funding guidelines of the various state infrastructure agencies, other than the housing development fund, but which are consistent with the mandates of this article and recommend to the water development authority that it make a grant or loan to the project sponsors from the infrastructure fund to finance the cost of one or more such projects or infrastructure projects;

(3) Do all other acts necessary and proper to carry out the powers expressly granted to the authority in this article; and

(4) To make and execute contracts, commitments and obligations and other instruments necessary or convenient for the exercise of its powers.

(b) The council shall develop a comprehensive statewide inventory of water supply systems and sewage treatment systems and an assessment of current and future needs by the first day of July, one thousand nine hundred ninety-six. The assessment shall identify the areas of the state which do not have adequate public water or sewage systems and offer recommendations for the construction of new facilities or the extension or expansion of existing facilities to meet the identified needs. The council shall include in the assessment an identification of the obstacles, issues and problems which prevent or inhibit development of adequate infrastructure throughout the state, including financial, governmental, physical, or geographical factors and make recommendation as the council considers appropriate regarding the obstacles, issues or problems identified. This comprehensive inventory and assessment shall be updated at least once in every three year period after the initial assessment and inventory is completed.

(c) The council shall study the viability of the consolidation of public service districts throughout the state: Provided, That the study shall encompass not

only public service districts but also any and all entities which provide or supply water and sewer service to the general public: Provided, however, That the council shall, in the preparation of the study, consult with the public service district division of the public service commission and representatives of the West Virginia rural water association and the West Virginia association of public service districts, as needed. The council shall report their findings and conclusions on or before the sixteenth of January of the year one thousand nine hundred ninety-five to the governor, speaker of the house of delegates and president of the senate. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-7. Current and prospective planning; roads and highways; report to division of highways.

(a) The council shall take into account the current and prospective infrastructure needs in relation to plans of the division of highways for the development and building of new roads. Upon completion an environmental impact study, the commissioner of highways shall provide the council with plans for any and all new roads. In a timely manner, the council shall advise the commissioner of the division of highways on the feasibility of the expansion of new or existing water and sewer lines concomitant to the construction of the new roads.

(b) The council has the authority to appoint local infrastructure planning teams. The local infrastructure planning teams may consist of the following: A designee of the division of highways from the region where the new road is being built; a designee of the division of highways from the central state office; a designee from the environmental engineers division of the department of health and human resources; a designee from the local developmental authority where the new road is being built; a designee from the regional developmental authority in the area where the new road is being built; a designee from the public service commission; a designee from the division of environmental protection; a designee from the county commission where the new road is being built who shall serve as chairperson of the planning team; a citizen of the county where the new road is being built to be chosen by the county commission; and the elected state delegates and senators from the area where the new road is being built. In order to avoid delay of any highway project, immediately upon appointment of a local infrastructure planning team, the director of the division of highways shall submit to the council a time frame within which the planning team must act and within which the planning team must submit any plans, maps, recommendations or reports developed pursuant to this subsection. The local infrastructure planning team shall meet prior to the development and building of a new road. Members of the local infrastructure planning team shall only receive payment for actual expenses incurred. The local infrastructure planning team shall advise the commissioner of the division of highways on the feasibility of an infrastructure plan. The local infrastructure planning team shall meet to develop an infrastructure plan that includes an assessment study of existing water and sewer lines and a feasibility study on future development and laying of water and sewer lines.

After these studies are completed, a developmental map shall be drawn of the proposed road route with overlays of the proposed water and sewer lines. These studies and the map shall be presented to the commissioner of the division of highways and shall be used by the commissioner in the planning, developing and building of the road.

(c) The water development authority shall establish a restricted account within the infrastructure fund to be expended for the construction of water and sewage lines as may be recommended by the council in accordance with this article and specifically, in accordance the plan developed under subsection (b) of this section. The reserve account shall be known as the "infrastructure road improvement reserve account". The council and the division of highways may enter into agreements to share the cost of financing projects approved in accordance with this section from moneys available in the infrastructure road reserve account and moneys available from the state road fund. Annually, the council may direct the water development authority to transfer funds from the infrastructure fund in an amount not to exceed one million dollars to the restricted account: Provided, That at no time may the balance of the restricted account exceed one million dollars.

(d) For the purposes of this section the term "new" means a road right-of-way being built for the first time.

(e) After the construction of water and sewer lines adjacent to the new road these new lines shall be turned over to existing utilities by expansion of boundaries of public service districts or shall be main extensions from the municipality. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-8. Exemption of certain emergency projects from certificate of public convenience and necessity requirements; review of certain emergency projects by public service commission; and exemption for North Fork Hughes River watershed project.

(a) If the council determines a project to be an emergency and the emergency project will be funded solely with grant money for the extension of an existing certificated water facility or waste water facility, and if the council finds in its recommendation that the construction and acquisition of the emergency project will have no effect on the public utility's customer rates and will have no significant effect on its operational costs as a result of the project cost, then the emergency project is exempt from the requirement to obtain a certificate of public convenience and necessity under section eleven [§ 24-2-11], article two, chapter twenty-four of this code. If the public utility is a public service district, it is exempt from the approval of the public service commission required under section twenty-five [§ 16-13A-25], article thirteen-a, chapter sixteen of this code.

(b) Any public utility, and any other entity that will operate as a public utility, must obtain a certificate of public convenience and necessity pursuant

to section eleven, article two, chapter twenty-four of this code for any emergency project that is not exempt under subsection (a) of this section. The public service commission shall render its final decision on any application for a certificate within one hundred twenty days of the filing of the application: Provided, That the thirty day prefiling requirement is not required. If the project sponsor is a public service district, then the project will be exempted from the approval requirements of section twenty-five, article thirteen-a, chapter sixteen of this code.

(c) Projects that are not emergency projects are subject to the requirements of section eleven, article two, chapter twenty-four of this code to the extent they would be otherwise.

(d) The North Fork Hughes River watershed project, proposed to enhance economic growth and development through tourism as provided in subsection (k), section two [§ 31-15A-2(k)] of this article and to include a water facility project as defined in subsection (m), section two [§ 31-15A-2(m)] of this article, is hereby specifically exempted from any requirement imposed by this article, except that the provisions of subdivision (a) of this section are specifically made applicable to the project. The project is hereby specifically authorized and the public land corporation shall have and may exercise the power of eminent domain and all authority otherwise prescribed by law to acquire necessary land and rights-of-way, to include approximately four hundred seventy-eight acres, in connection with the project. Funding for the project shall be provided by the federal government from the Appalachian regional commission through the United States soil conservation service. Upon completion of the project, the property acquired shall be transferred to the state park system. The commissioner of the division of tourism and parks or the successor to the commissioner's powers and duties is directed to expand the boundaries of North Bend state park to include the project area and to operate the expanded park property, including improved recreational facilities, from funds appropriated for that purpose. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-9. Infrastructure fund; deposits in fund; disbursements to provide loans, loan guarantees, grants and other assistance; loans, loan guarantees, grants and other assistance shall be subject to assistance agreements.

(a) The water development authority shall create and establish a special revolving fund of moneys made available by appropriation, grant, contribution or loan to be known as the "West Virginia Infrastructure Fund". This fund shall be governed, administered and accounted for by the directors, officers and managerial staff of the water development authority as a special purpose account separate and distinct from any other moneys, funds or funds owned and managed by the water development authority. The infrastructure fund shall consist of sub-accounts, as deemed necessary by the council or the water development authority, for the deposit of: (1) Infrastructure revenues; (2) any appropriations, grants, gifts, contributions, loan proceeds or other revenues

received by the infrastructure fund from any source, public or private; (3) amounts received as payments on any loans made by the water development authority to pay for the cost of a project or infrastructure project; (4) insurance proceeds payable to the water development authority or the infrastructure fund in connection with any infrastructure project or project; (5) all income earned on moneys held in the infrastructure fund; (6) all funds deposited in accordance with section four [§ 31-15B-4] of article fifteen-b; and (7) all proceeds derived from the sale of bonds issued pursuant to article fifteen-b [§ 31-15B-1 et seq.] of this chapter.

Any money collected pursuant to this section shall be paid into the West Virginia infrastructure fund by the state agent or entity charged with the collection of the same, credited to the infrastructure fund, and used only for purposes set forth in this article or article fifteen-b.

Amounts in the infrastructure fund shall be segregated and administered by the water development authority separate and apart from its other assets and programs. Amounts in the infrastructure fund may not be transferred to any other fund or account or used, other than indirectly, for the purposes of any other program of the water development authority, except that the water development authority may use funds in the infrastructure fund to reimburse itself for any administrative costs incurred by it and approved by the council in connection with any loan, loan guarantee, grant or other funding assistance made by the water development authority pursuant to this article.

(b) Notwithstanding any provision of this code to the contrary, amounts in the infrastructure fund shall be deposited by the water development authority in one or more banking institutions: Provided, That any moneys so deposited shall be deposited in a banking institution located in this state. The banking institution shall be selected by the water development authority by competitive bid. Pending the disbursement of any money from the infrastructure fund as authorized under this section, the water development authority shall invest and reinvest the moneys subject to the limitations set forth in article eighteen [§ 31-18-1 et seq.], chapter thirty-one of this code.

(c) To further accomplish the purposes and intent of this article and article fifteen-b of this chapter, the water development authority may pledge infrastructure revenues and from time to time establish one or more restricted accounts within the infrastructure fund for the purpose of providing funds to guarantee loans for infrastructure projects or projects: Provided, That for any fiscal year the water development authority may not deposit into the restricted accounts more than twenty percent of the aggregate amount of infrastructure revenues deposited into the infrastructure fund during the fiscal year. No loan guarantee shall be made pursuant to this article unless recourse under the loan guarantee is limited solely to amounts in the restricted account or accounts. No person shall have any recourse to any restricted accounts established pursuant to this subsection other than those persons to whom the loan guarantee or guarantees have been made.

(d) Each loan, loan guarantee, grant or other assistance made or provided by the water development authority shall be evidenced by a loan, loan guarantee, grant or assistance agreement between the water development

authority and the project sponsor to which the loan, loan guarantee, grant or assistance shall be made or provided, which agreement shall include, without limitation and to the extent applicable, the following provisions:

(1) The estimated cost of the infrastructure project or project, the amount of the loan, loan guarantee or grant or the nature of the assistance, and in the case of a loan or loan guarantee, the terms of repayment and the security therefor, if any;

(2) The specific purposes for which the loan or grant proceeds shall be expended or the benefits to accrue from the loan guarantee or other assistance, and the conditions and procedure for disbursing loan or grant proceeds;

(3) The duties and obligations imposed regarding the acquisition, construction, improvement or operation of the project or infrastructure project; and

(4) The agreement of the governmental agency to comply with all applicable federal and state laws, and all rules and regulations issued or imposed by the water development authority or other state, federal or local bodies regarding the acquisition, construction, improvement or operation of the infrastructure project or project and granting the water development authority the right to appoint a receiver for the project or infrastructure if the project sponsor should default on any terms of the agreement.

(e) Any resolution of the water development authority approving loan, loan guarantee, grant or other assistance shall include a finding and determination that the requirements of this section have been met.

(f) The interest rate on any loan to governmental, quasi-governmental, or not for profit project sponsors for projects made pursuant to this article shall not exceed three percent per annum. Due to the limited availability of funds available for loans for projects, it is the public policy of this state to prioritize funding needs to first meet the needs of governmental, quasi-governmental and not for profit project sponsors and to require that loans made to for-profit entities shall bear interest at the current market rates. Therefore, no loan may be made by the council to a for-profit entity at an interest rate which is less than the current market rate at the time of the loan agreement.

(g) The water development authority shall cause an annual audit to be made by an independent certified public accountant of its books, accounts and records, with respect to the receipts, disbursements, contracts, leases, assignments, loans, grants and all other matters relating to the financial operation of the infrastructure fund, including the operating of any sub-account within the infrastructure fund. The person performing such audit shall furnish copies of the audit report to the commissioner of finance and administration [office abolished], where they shall be placed on file and made available for inspection by the general public. The person performing such audit shall also furnish copies of the audit report to the Legislature's joint committee on government and finance. (1994, 1st Ex. Sess., c. 26; 1995, c. 130.)

Editor's notes. — The bracketed words were inserted by the editor. The office of the commissioner of finance and administration was abolished, and the duties of that office were transferred to the secretary of administration. See § 5A-1-2.

Effect of amendment of 1995. — The amendment, effective March 10, 1995, rewrote (a); in (b), substituted "shall" for "may" after "infrastructure fund" and added the proviso in the first sentence, and inserted the present second sentence; inserted "and article fifteen-b

of this chapter" in the first sentence of (c); substituted "the" for "such" preceding "loan guarantee" in (d)(2); and added (f) and (g).

§ 31-15A-10. Recommendations by council for expenditures of funds by loan, grant or for engineering assistance.

(a) To further accomplish the purpose and intent of this article, the water development authority shall use the moneys in the infrastructure fund created pursuant to section nine [§ 31-15A-9] of this article, upon receipt of one or more recommendations from the council pursuant to section five [§ 31-15A-5] of this article, to make loans, with or without interest, loan guarantees or grants and to provide other assistance, financial, technical or otherwise, to finance all or part of the costs of infrastructure projects or projects to be undertaken by a project sponsor: Provided, That any moneys disbursed from the infrastructure fund in the form of grants shall not exceed twenty percent of the total funds available for the funding of projects. No loan, loan guarantee, grant or other assistance shall be made or provided except upon a determination by the council that the loan, loan guarantee, grant or other assistance and the manner in which it will be provided are necessary or appropriate to accomplish the purposes and intent of this article, based upon an application submitted to the council: Provided, however, That no grant shall be made to a project sponsor that is not a governmental agency or a not for profit corporation under the provisions of section 501(c) of the Internal Revenue Code of 1986, as amended. Applications for loans, loan guarantees, grants or other assistance may be submitted by a project sponsor for one or more infrastructure projects on preliminary application forms prepared by the council pursuant to section four [§ 31-15A-4] of this article. Any recommendation of the council approving a loan, loan guarantee, grant or other assistance shall include a finding and determination by the council that the requirements of this section have been met. The council shall base any decisions to loan money for projects to project sponsors pursuant to this article solely on the need of the project sponsors.

(b) The council has the authority in its sole discretion to make grants to project sponsors if it finds that: (1) The level of rates for the users would otherwise be an unreasonable burden given the users' likely ability to pay; or (2) the absence of a sufficient number of users prevents funding of the project except through grants: Provided, That no project sponsor shall receive infrastructure grant money in an amount in excess of fifty percent of the total cost of the project. Therefore, the council may consider the economic or financial conditions of the area to be served. As a condition for receipt of a grant under this subsection, the council may require, in addition to any other conditions, that the applicant pursue other state or federal grant or loan programs. Upon a recommendation by the council, the water development authority shall provide the grant in accordance with the recommendation. The council shall develop criteria to be considered in making grants to project sponsors which shall require consideration of the economic or financial conditions of the area to be served and the availability of other funding sources. The council shall

adopt procedural rules regarding the manner in which grants will be awarded in conformity with this section. The procedural rules shall be adopted pursuant to article three [§ 29A-3-1 et seq.], chapter twenty-nine-a of this code.

(c) The council shall affix a mandatory minimum end user utility rate that must be met by the project sponsor before grant assistance may be awarded. The mandatory minimum utility rate shall be established by legislative rule promulgated in accordance with article three, chapter twenty-nine-a of this code. The rule shall provide that the mandatory minimum utility rate be based upon a uniform statewide percentage of the median household income in a particular geographic area which is rationally related to the geographic area of the project to be served.

(d) No loan or grant funds may be made available for a project if the project to be funded will provide subsidized services to certain users in the service area of the project.

(e) Notwithstanding any other provision of this article to the contrary, engineering studies and requirements imposed by the council for preliminary applications shall not exceed those engineering studies and requirements which are necessary for the council to determine the economic feasibility of the project. If the council determines that the engineering studies and requirements for the pre-application would impose an undue hardship on any project sponsor, the council may provide funding assistance to project sponsors to defray the expenses of the pre-application process from moneys available in the infrastructure fund for making loans: Provided, That the council may only provide funding assistance in an amount equal to five thousand dollars or fifty percent of the total pre-application cost of the project, whichever amount is greater. If the project is ultimately approved for a loan by the council, the amount of funding assistance provided to the project sponsor for the pre-application process shall be included in the total amount of the loan to be repaid by the project sponsor. If the project is not ultimately approved by the council, then the amount of funding assistance provided to the project sponsor will be considered a grant by the council and the total amount of the assistance shall be forgiven. In no event may the amount of funding assistance provided to all project sponsors exceed, in the aggregate, one hundred thousand dollars annually. (1994, 1st Ex. Sess., c. 26; 1995, c. 130.)

Effect of amendment of 1995. — The amendment, effective March 10, 1995, in (a), divided the former first sentence into the present first two sentences, added the language beginning "any moneys disbursed" at the end of the first sentence, substituted "project sponsor" for "profit sponsor" in the proviso in the present second sentence, substituted "on preliminary application forms" for "or projects from time to time, and shall be submitted in the manner and on the preliminary application form" in the third sentence, and added the last sentence; added the proviso and made minor punctuation changes in the first sentence in (b); and added (c), (d), and (e).

Editor's notes. — Section 501 of the Internal Revenue Code of 1986, referred to in (a), is codified at 26 U.S.C. § 501.

§ 31-15A-11. Reservation of funds for projects and infrastructure projects.

Eighty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for the cost of projects as defined in subsection (m), section two [§ 31-15A-2(m)] of this article. Twenty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for costs of infrastructure projects as defined in subsection (k), section two [§ 31-15A-2(k)] of this article. Project sponsors of infrastructure projects shall follow the application process as established by this article: Provided, That notwithstanding any provision of this article to the contrary, all applications for any infrastructure project shall be submitted to the council for community and economic development, or its successor, for review, recommendation and approval regarding infrastructure project funding. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-12. Additional powers of water development authority.

To accomplish the purpose and intent of this article, the water development authority is hereby empowered, in addition to all other powers granted to it under this code, upon approval of the council, to (1) enter into agreements or other transactions with any federal or state agency in connection with any infrastructure project or project; (2) receive or administer on behalf of any federal or state agency grants, subsidies or other payments to be applied to the costs of any infrastructure project or project financed in whole or in part or otherwise assisted by the water development authority, including, but not limited to, payments to be applied to operating costs and debt service or obligations of any project sponsor; (3) receive and accept aid or contributions from any source of money, property, labor or other things of value, to be held, used and applied only for the purposes for which such grants and contributions are made; (4) establish and amend the criteria and qualifications for making loans, loan guarantees or grants, or providing any other assistance, for any infrastructure project or project, and the terms of any loans, loan guarantee, grant or assistance agreement for any project; and (5) do all things which are necessary to further the purposes and intent of this article. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-13. Prohibition on funds inuring to the benefit of or being distributable to water development board; transactions between the water development board and officers having certain interests in such transactions.

No part of the infrastructure fund shall inure to the benefit of or be distributable to the water development board directors or officers of the water development authority except that the water development authority is authorized and empowered to pay reasonable compensation, other than to members of the water development board, including the chairman, vice chairman, secretary-treasurer for services rendered and to make loans and exercise its other powers as previously specified in furtherance of its corporate purpose: Provided, That no loans shall be made, and no property shall be purchased or leased from, or sold, leased or otherwise disposed of, to any water development board member or officer of the water development authority. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-14. Termination or dissolution.

Upon the termination or dissolution of the water development authority, all rights and properties of the water development authority with respect to the infrastructure fund shall pass to and be vested in the state, subject to the rights of lienholders and other creditors. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-15. Projects not to be considered public improvements; competitive bid requirements.

(a) No project or infrastructure project acquired, constructed, maintained or financed in whole or in part by the water development authority shall be considered to be a "public improvement" within the meaning of the provisions of article five-a [§ 21-5A-1 et seq.], chapter twenty-one of this code, as a result of such financing.

(b) The state and its subdivisions shall, except as provided in this subsection, solicit competitive bids and require the payment of prevailing wage rates as provided in article five-a, chapter twenty-one of this code for every project or infrastructure project funded pursuant to this article exceeding twenty-five thousand dollars in total cost. Following the solicitation of the bids, the construction contract shall be awarded to the lowest qualified responsible bidder, who shall furnish a sufficient performance and payment bond: Provided, That the state and its subdivisions may reject all bids and solicit new bids on the project. Nothing in this subsection applies to work performed on construction or repair projects not exceeding a total cost of twenty-five thousand dollars by regular full-time employees of the state or its subdivisions, nor shall anything in this subsection prevent students enrolled in vocational educational schools from being utilized in the construction or repair projects when such use is a part of the students' training program. Nothing in this subsection applies to emergency repairs to building components and systems: Provided, however, That the the term "emergency repairs" means repairs that if not made immediately will seriously impair the use of the building components and systems or cause danger to those persons using the building components and systems. This subsection shall not apply to any situation where the state or a subdivision thereof comes to an agreement with volunteers, or a volunteer group, whereby the governmental body will provide construction or repair materials, architectural, engineering, technical or any other professional services and the volunteers will provide the necessary labor

without charge to, or liability upon, the governmental body: Provided further, That the total cost of the construction or repair projects does not exceed twenty-five thousand dollars.

(c) The provisions of subsection (b) of this section shall not apply to privately owned projects or infrastructure projects constructed on lands not owned by the state or a subdivision of the state. (1994, 1st Ex. Sess., c. 26.)

§ 31-15A-16. Dedication of severance tax proceeds.

(a) There shall be dedicated an annual amount from the collections of the tax collected pursuant to article thirteen-a [§ 11-13A-1 et seq.], chapter eleven of this code for the construction, extension, expansion, rehabilitation, repair and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction and improvement of sites for economic development in this state as provided in this article.

(b) Notwithstanding any other provision of this code to the contrary, beginning on the first day of July, one thousand nine hundred ninety-five, the first sixteen million dollars of the tax collected pursuant to article thirteen-a, chapter eleven of this code shall be deposited to the credit of the West Virginia infrastructure general obligation debt service fund created pursuant to section three [§ 31-15B-3], article fifteen-b of this chapter: Provided, That none of the collections from the tax imposed pursuant to section six [§ 11-13A-6], article thirteen-a, chapter eleven of this code shall be so dedicated or deposited: Provided, however, That the portion of the tax imposed by article thirteen-a, chapter eleven and dedicated for purposes of medicaid and the division of forestry pursuant to section twenty-a of said article thirteen-a [§ 11-13A-20a] shall remain dedicated for the purposes set forth in said section twenty-a.

(c) On or before the first day of May of each year, commencing the first day of May, one thousand nine hundred ninety-five, the council, by resolution, shall certify to the treasurer and the water development authority the principal and interest coverage ratio and amount for the following fiscal year on any infrastructure general obligation bonds issued pursuant to the provisions of article fifteen-b of this chapter. (1994, 1st Ex. Sess., c. 26; 1995, c. 130.)

Effect of amendment of 1995. — The amendment, effective March 10, 1995, in (b), inserted "general obligation debt service" prior to "fund created pursuant to" and substituted "section three, article fifteen-b of this chapter" for "section nine of this article"; and added (c).

ARTICLE 15B.

INFRASTRUCTURE BONDS.

Sec.
31-15B-1. Definitions.
31-15B-2. Infrastructure general obligation bonds; amount; when may issue.
31-15B-3. Creation of debt service fund; disbursements to pay debt service on infrastructure general obligation bonds.
31-15B-4. Infrastructure general obligation debt service fund; sources used to pay bonds and interest; investment of remainder.
31-15B-5. Covenants of state.
31-15B-6. Sale by governor; minimum price.
31-15B-7. Prohibition on funds inuring to the benefit of or being distributable to directors or officers; transactions between the council and West Virginia water development authority and directors or officers having certain interests in such transactions.
31-15B-8. Infrastructure bonds lawful investments.
31-15B-9. Refunding bonds.
31-15B-10. Termination or dissolution.
31-15B-11. Treasurer to determine financial advisor.
31-15B-12. Governor to determine bond counsel.
31-15B-13. Approval and payment of all necessary expenses.

§ 31-15B-1. Definitions.

For purposes of this article and article fifteen-a [§ 31-15A-1 et seq.] of this chapter:

(a) "Council" means the West Virginia infrastructure and jobs development council created in section three [§ 31-15A-3], article fifteen-a of this chapter;

(b) "Infrastructure amendment" means the amendment to the constitution of this state entitled "infrastructure amendment" as approved by referendum in the month of November, one thousand nine hundred ninety-four;

(c) "Infrastructure general obligation bond" means any bond or bonds issued by the state pursuant to section two [§ 31-15B-2] of this article;

(d) "Water development authority" means the West Virginia water development authority established under article one [§ 22C-1-1 et seq.], chapter twenty-two-c of this code, or any successor to all or any substantial part of its powers and duties. (1995, c. 130.)

§ 31-15B-2. Infrastructure general obligation bonds; amount; when may issue.

Bonds of the state of West Virginia, under authority of the infrastructure improvement amendment of 1994, of the par value not to exceed in the aggregate three hundred million dollars, are hereby authorized to be issued and sold solely for the construction, extension, expansion, rehabilitation, repair and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction and improvement of sites for economic development as provided for by the constitution and the provisions of this article.

These bonds may be issued by the governor upon resolution by the infrastructure council and certification to the governor. The bonds shall bear such date and mature at such time, bear interest at such rate not to exceed eight percent per annum, be in such amounts, be in such denominations, be in such registered form, carry such registration privileges, be due and payable at such time and place and in such amounts, and subject to such terms of redemption as such resolution may provide: Provided, That in no event may the amount of bonds outstanding exceed an amount for which sixteen million dollars would not be sufficient to provide annual service on the total amount of debt outstanding.

Both the principal and interest of the bonds shall be payable in the lawful money of the United States of America and the bonds and the interest thereon shall be exempt from taxation by the state of West Virginia, or by any county,

district or municipality thereof, which fact shall appear on the face of the bonds as part of the contract with the holder of the bond.

The bonds shall be executed on behalf of the state of West Virginia, by the manual or facsimile signature of the treasurer thereof, under the great seal of the state or a facsimile thereof, and countersigned by the manual or facsimile signature of the auditor of the state. (1995, c. 130.)

§ 31-15B-3. Creation of debt service fund; disbursements to pay debt service on infrastructure general obligation bonds.

There is hereby created a special account in the state treasury, which shall be designated and known as the "West Virginia Infrastructure General Obligation Debt Service Fund", into which shall be deposited amounts pursuant to the provisions of section sixteen [§ 31-15A-16], article fifteen-a of this chapter, as well as any amounts appropriated by the Legislature. (1995, c. 130.)

§ 31-15B-4. Infrastructure general obligation debt service fund; sources used to pay bonds and interest; investment of remainder.

All money from any and all appropriations made by the state, all moneys transferred pursuant to the provisions of section sixteen [§ 31-15A-16], article fifteen-a of this chapter and all moneys from any other source whatsoever which is made liable by law for the payment of the principal of such bonds or the interest thereon shall be deposited into the infrastructure general obligation debt service fund. Moneys shall be kept by the treasurer in a separate account, under the designation aforesaid, and all moneys belonging to the infrastructure general obligation debt service fund shall be deposited in the state treasury to the credit thereof.

This fund shall be applied by the treasurer to the payment of the principal and interest on such bonds as shall become due as herein provided. Any funds remaining after certification of the amount necessary for the payment of principal and interest as provided by section sixteen, article fifteen-a and expenses authorized pursuant to section thirteen [§ 31-15B-13] of this article shall be deposited to the credit of the infrastructure fund. (1995, c. 130.)

§ 31-15B-5. Covenants of state.

The state of West Virginia covenants and agrees with the holders of the bonds issued pursuant hereto as follows: (1) That such bonds shall constitute a direct and general obligation of the state of West Virginia; (2) that the full faith and credit of the state is hereby pledged to secure the payment of the principal and interest of such bonds; (3) that an annual state tax shall be collected in an amount sufficient to pay as it may accrue the interest on such bonds and the principal thereof; and (4) that such tax shall be levied in any

year only to the extent that the moneys transferred to the infrastructure general obligation debt service fund as provided in section sixteen [§ 31-15A-16], article fifteen-a of this chapter which are irrevocably set aside and appropriated for and applied to the payment of the interest on and principal of any bond becoming due and payable in such year are insufficient therefor. (1995, c. 130.)

§ 31-15B-6. Sale by governor; minimum price.

The governor shall sell the bonds herein authorized at such time or times as the council, by resolution, may determine necessary to provide funds for purposes set forth in this article and article fifteen-a [§ 31-15A-1 et seq.] of this chapter. Sales shall be at not less than par and accrued interest.

The bonds must be offered for competitive bids from recognized financial investment institutions before the bonds may be sold: Provided, That the bid process is not subject to the provisions of article three-a [§ 5A-3A-1 et seq.], chapter five-a of this code. Any and all of the bids may be rejected. If the bonds are not sold pursuant to the competitive bid process, the bonds may, within sixty days after the date the bids are received, be sold at private sale: Provided, however, That no private sale shall be made at a price less than the highest bid received. (1995, c. 130.)

§ 31-15B-7. Prohibition on funds inuring to the benefit of or being distributable to directors or officers; transactions between the council and West Virginia water development authority and directors or officers having certain interests in such transactions.

No part of the infrastructure fund shall inure to the benefit of or be distributable to the commissioners of the public service commission, the council, or the West Virginia water development authority's directors or officers. The council may approve and the water development authority make loans and exercise other powers as previously specified in furtherance of their corporate purpose: Provided, That no loans shall be made, nor shall any property be purchased or leased from, or sold, leased or otherwise disposed of, to any commissioner, director or officer of the council, the public service commission or the West Virginia water development authority. (1995, c. 130.)

§ 31-15B-8. Infrastructure bonds lawful investments.

All infrastructure bonds issued pursuant to this article shall be lawful investments for banking institutions, societies for savings, building and loan associations, savings and loan associations, deposit guarantee associations, trust companies, insurance companies, including domestic for life and domestic not for life insurance companies. (1995, c. 130.)

§ 31-15B-9. Refunding bonds.

Any infrastructure general obligation bonds which are outstanding may at any time be refunded by the issuance of refunding bonds in an amount deemed necessary to refund the principal of the bonds to be refunded, together with any unpaid interest thereon; to accomplish the purpose of this article and article fifteen-a [§ 31-15A-1 et seq.] of this chapter; and to pay any premiums and commissions necessary to be paid in connection therewith. Any refunding may be effected whether the infrastructure general obligation bonds to be refunded shall have then matured or shall thereafter mature. Any refunding bonds issued pursuant to this article shall be payable from the infrastructure general obligation bond debt service fund, and shall be subject to the provisions contained in section eleven [§ 31-15A-11], article fifteen-a of this chapter and shall be secured in accordance with the provisions of this article. (1995, c. 130.)

§ 31-15B-10. Termination or dissolution.

Upon the termination or dissolution of the West Virginia water development authority, all rights and properties of the West Virginia water development authority with respect to the infrastructure fund shall pass to and be vested in the state, subject to the rights of bondholders, lienholders and other creditors. (1995, c. 130.)

§ 31-15B-11. Treasurer to determine financial advisor.

The treasurer shall select a competent person or firm to serve as financial advisor for the issuance and sale of general obligation bonds issued pursuant to this article. (1995, c. 130.)

§ 31-15B-12. Governor to determine bond counsel.

The governor shall select a competent person or firm to serve as bond counsel who shall be responsible for the issuance of a final approving opinion regarding the legality of the sale of general obligation bonds issued pursuant to this article. Notwithstanding the provisions of article three [§ 5-3-1 et seq.], chapter five of this code, bond counsel may represent the council in court, render advice to the council and provide other legal services as may be requested by the council regarding any bond issuance pursuant to this article and all other matter relating to the bond issue. (1995, c. 130.)

§ 31-15B-13. Approval and payment of all necessary expenses.

All necessary expenses, including legal expenses, incurred in the issuance of any general obligation bonds pursuant to this article shall be paid out of the infrastructure general obligation debt service fund. The amount of any expenses incurred shall be certified to the water development authority. (1995, c. 130.)

ARTICLE 16.

WEST VIRGINIA STEEL FUTURES PROGRAM.

Sec.
31-16-1. Legislative intent; purpose and administration.
31-16-2. Steel advisory commission; membership, appointment, terms, quorum and selection of officers.
31-16-3. Responsibilities of commission.
31-16-4. Steel futures program.
31-16-5. Continuation of program.

§ 31-16-1. Legislative intent; purpose and administration.

The Legislature recognizes that the steel industry plays a significant role in West Virginia's economy, and the industry's survival and success is of significant importance to the residents and the tax base of the state. Because of this significant economic role, there is hereby created in the West Virginia department of commerce, labor and environmental resources [abolished] a steel advisory commission and a new program entitled "The Steel Futures Program". The purpose of the commission and the program is to preserve and improve the economy of the state by promoting employment and increased productivity, thereby ensuring continued economic development consistent with these goals, and to maintain a high standard of living for the residents of the state. The commission, through the steel futures program, may supplement any other enterprise assistance program administered by the West Virginia department of commerce, labor and environmental resources [abolished]. The steel futures program shall be administered so as to provide financial and technical assistance as provided in this article to increase the competitiveness of existing steel and steel-related industries within the state and to encourage the establishment and development of new steel and steel-related industries within the state. (1993, c. 128.)

Editor's notes. — Former article 16, §§ 31-16-1 to 31-16-14 (enacted by Acts 1963, c. 22), concerning the West Virginia Forest Industries Industrial Foundation Act, was repealed by Acts 1989, c. 54. For provisions concerning the West Virginia economic development authority, see § 31-15-1 et seq.

The bracketed words were inserted by the editor. See § 5F-2-1.

§ 31-16-2. Steel advisory commission; membership, appointment, terms, quorum and selection of officers.

(a) There is hereby created the West Virginia steel advisory commission within the department of commerce, labor and environmental resources [abolished], which shall consist of thirteen members. The secretary of the department of commerce, labor and environmental resources [office abolished] or his or her designee shall be a member of the commission and shall serve as its chairperson. Eight members shall be appointed by the governor with the advice and consent of the Senate. At least four of the members appointed by the governor shall be senior management representatives of steel manufacturing

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transactions between the water development board and officers having certain interests in such transactions.
-16. Dedication of severance tax proceeds.
-17. Water development authority empowered to issue infrastructure revenue bonds and refunding bonds; creation of infrastructure revenue debt service fund; funding of infrastructure revenue debt service fund; requirements and manner of such issuance.
-18. Trustee for holders of infrastructure revenue bonds; contents of trust agreement.

Sec.
31-15A-19. Legal remedies of infrastructure revenue bondholders or noteholders and trustees.
31-15A-20. Infrastructure revenue bonds lawful investments.
31-15A-21. Purchase and cancellation of infrastructure revenue bonds.
31-15A-22. Refunding revenue bonds.
31-15A-23. Infrastructure revenue bonds not debt of state, county, municipality or any political subdivision.
31-15A-24. Infrastructure revenue bonds exempt from taxation.

§ 31-15A-1. Short title.

Cited in State ex rel. Cooper v. Caperton, 196 W. Va. 208, 470 S.E.2d 162 (1996).

§ 31-15A-2. Definitions.

For purposes of this article:

(a) "Bond" or "infrastructure revenue bond" means a revenue bond, note, or other obligation issued by the water development authority pursuant to this article, including bonds to refund such bonds and notes to renew such notes, and notes in anticipation of and payable from the proceeds of such bonds.

(b) "Code" means the code of West Virginia, one thousand nine hundred thirty-one, as amended;

(c) "Cost" means, as applied to any project to be financed, in whole or in part, with infrastructure revenues or funds otherwise provided pursuant to this article, the cost of planning, acquisition, improvement and construction of the project; the cost of preliminary design and analysis, surveys, borings; the cost of environmental, financial, market and engineering feasibility studies, assessments, applications, approvals, submissions or clearances; the cost of preparation of plans and specifications and other engineering services; the cost of acquisition of all land, rights-of-way, property rights, easements, franchise rights and any other interests required for the acquisition, repair, improvement or construction of the project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which buildings or structures may be moved; the cost of excavation, grading, shaping or treatment of earth, demolishing or removing any buildings or structures; the cost of constructing any buildings or other improvements; the cost of all pumps, tanks, vehicles, apparatus and other machinery, furnishings and equipment; loan or origination fees and all finance charges and interest incurred prior to and during the construction and for no more than six months after completion of construction; the cost of all legal services and expenses; the cost of all plans, specifications, surveys and estimates of cost; all working capital and other expenses necessary or incident to determining the feasibility or practicability of acquiring, repairing, improving or constructing any project; the cost of placing any project in operation; and all other costs and expenses of any kind or nature incurred or to be incurred by the project sponsor developing the project that are reasonable and necessary for carrying out all works and undertakings necessary or incident to the accomplishment of any project: Provided, That costs shall not include any amounts related to the ongoing operations of the owner or operator, depreciation thereof or any other

cost which the council or the water development authority has not determined to be consistent with the purposes and objectives of this article;

(d) "Council" means the West Virginia infrastructure and jobs developme council created in section three [§ 31-15A-3] of this article;

(e) "Division of environmental protection" means the division of environmental protection established under article one [§ 22-1-1 et seq.], chapter twenty-two of this code, or any successor to all or any substantial part of its powers and duties;

(f) "Division of health" means the division of health created in article one [§ 16-1-1 et seq.], chapter sixteen of this code, or any successor to all or any substantial part of its powers and duties;

(g) "Economic development authority" means the economic development authority established under article fifteen [§ 31-15-1 et seq.], chapter thirty-one of the code, or any successor to all or any substantial part of its powers and duties;

(h) "Emergency project" means a project which the council has determined, (1) Is essential to the immediate economic development of an area of the state; and (2) will not likely be developed in that area if construction of the project is not commenced immediately;

(i) "Governmental agency" means any county; municipality; watershed improvement district; assessment district; soil conservation district; sanitary district; public service district; drainage district; regional governmental authority and any other state governmental agency, entity, political subdivision or public corporation or agency authorized to acquire, construct or operate water or wastewater facilities or infrastructure projects;

(j) "Housing development fund" means the West Virginia housing development fund established under article eighteen [§ 31-18-1 et seq.] of this chapter, or any successor to all or any substantial part of its powers and duties;

(k) "Infrastructure fund" means the West Virginia infrastructure fu created and established in section nine [§ 31-15A-9] of this article;

(l) "Infrastructure project" means a project in the state which the council determines is likely to foster and enhance economic growth and development in the area of the state in which the project is developed, for commercial, industrial, community improvement or preservation or other proper purposes, including, without limitation, tourism and recreational housing, land, air or water transportation facilities and bridges, industrial or commercial projects and facilities, mail order, warehouses, wholesale and retail sales facilities and other real and personal properties, including facilities owned or leased by this state or any other project sponsor, and includes, without limitation: (1) The process of acquiring, holding, operating, planning, financing, demolition, construction, improving, expanding, renovation, leasing or otherwise disposing of the project or any part thereof or interest therein; and (2) preparing land for construction and making, installing or constructing improvements on the land, including water or wastewater facilities or any part thereof, steam, gas, telephone and telecommunications and electric lines and installations, roads, bridges, railroad spurs, buildings, docking and shipping facilities, curbs, gutters, sidewalks, and drainage and flood control facilities, whether on or off the site;

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(m) "Infrastructure revenue" means all amounts appropriated by the Legislature; all amounts deposited into the infrastructure fund; any amounts received, directly or indirectly, from any source for the use of all or any part of any project completed pursuant to this article; and any other amounts received by the state treasurer, council or the water development authority for the purposes of this article;

(n) "Need of the project sponsors" means there is a public need for a project. The council shall construe a population increase evidenced by the last two decennial censuses in a county in which a project is proposed, as a factor supporting the conclusion that a need exists for projects in that county;

(o) "Project" means any wastewater facility, water facility project or any combination thereof, constructed or operated or to be constructed or operated by a project sponsor;

(p) "Project sponsor" means any governmental agency or person, or any combination thereof, including, but not limited to, any public utility, which intends to plan, acquire, construct, improve or otherwise develop a project;

(q) "Public service commission" means the public service commission of West Virginia created and established under section three [§ 24-1-3], article one, chapter twenty-four of this code, or any successor to all or any substantial part of its powers and duties;

(r) "Person" means any individual, corporation, partnership, association, limited liability company or any other form of business organization;

(s) "Public utility" means any person or persons, or association of persons, however associated, whether incorporated or not, including, without limitation, any governmental agency, operating a wastewater facility or water facility as a public service, which is regulated by the public service commission as a public utility under chapter twenty-four [§ 24-1-1 et seq.] of this code or which is required to file its tariff with the public service commission;

(t) "State development office" means the West Virginia development office established under article two [§ 5B-2-1 et seq.], chapter five-b of this code, or any successor to all or any substantial part of its powers and duties;

(u) "State infrastructure agency" means the division of health, division of environmental protection, housing development fund, public service commission, state development office, water development authority, economic development authority and any other state agency, division, body, authority, commission, instrumentality or entity which now or in the future receives applications for the funding of, and provides funding or technical assistance to, the planning, acquisition, construction or improvement of a project;

(v) "Waste water facility" means all facilities, land and equipment used for or in connection with treating, neutralizing, disposing of, stabilizing, cooling, segregating or holding waste water, including, without limitation, facilities for the treatment and disposal of sewage, industrial wastes or other wastes, wastewater, and the residue thereof; facilities for the temporary or permanent impoundment of wastewater, both surface and underground; and sanitary sewers or other collection systems, whether on the surface or underground, designed to transport wastewater together with the equipment and furnishings therefor or thereof and their appurtenances and systems, whether on the surface or underground including force mains and pumping facilities therefor;

(w) "Water development authority" means the West Virginia water development authority continued pursuant to the provisions of article one [§ 22C-1-1 et seq.], chapter twenty-two-c of this code, or any successor to all or any substantial part of its powers and duties; and

(x) "Water facility" means all facilities, land and equipment used for or in connection with the collection and/or storage of water, both surface and underground, transportation of water, storage of water, treatment of water and distribution of water all for the purpose of providing potable, sanitary water suitable for human consumption and use. (1994, 1st Ex. Sess., c. 26; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, inserted the present (a), and redesignated the former (a) through (*l*) as (b) through (m); inserted (n), and redesignated the former (m) through (v) as (o) through (x); in (w), substituted "article one, chapter twenty-two-c of this code" for "article five-c, chapter twenty of this code"; and made stylistic changes.

§ 31-15A-8. Exemption of certain emergency projects from certificate of public convenience and necessity requirements; review of certain emergency projects by public service commission; and exemption for North Fork Hughes River watershed project.

(a) If the council determines a project to be an emergency and the emergency project will be funded solely with grant money for the extension of an existing certificated water facility or wastewater facility, and if the council finds in its recommendation that the construction and acquisition of the emergency project will have no effect on the public utility's customer rates and will have no significant effect on its operational costs as a result of the project cost, then the emergency project is exempt from the requirement to obtain a certificate of public convenience and necessity under section eleven, article two, chapter twenty-four of this code. If the public utility is a public service district, it is exempt from the approval of the public service commission required under section twenty-five [§ 16-13A-25], article thirteen-a, chapter sixteen of this code.

(b) Any public utility, and any other entity that will operate as a public utility, must obtain a certificate of public convenience and necessity pursuant to section eleven [§ 24-2-11], article two, chapter twenty-four of this code for any emergency project that is not exempt under subsection (a) of this section. The public service commission shall render its final decision on any application for a certificate within one hundred twenty days of the filing of the application: Provided, That the thirty-day prefiling requirement is not required. If the project sponsor is a public service district, then the project will be exempted from the approval requirements of section twenty-five [§ 16-13A-25], article thirteen-a, chapter sixteen of this code.

(c) Projects that are not emergency projects are subject to the requirements of section eleven, article two, chapter twenty-four of this code to the extent they would be otherwise.

(d) The North Fork Hughes River watershed project, proposed to enhance economic growth and development through tourism as provided in subsection (*l*), section two [§ 31-15A-2(*l*)] of this article and to include a water facility project as defined in subsection (n), section two [§ 31-15A-2(n)] of this article, is hereby specifically exempted from any requirement imposed by this article, except that the provisions of subsection (a) of this section are specifically made applicable to the project. The project is hereby specifically authorized and the public land corporation shall have and may exercise the power of eminent domain and all authority otherwise prescribed by law to acquire necessary land and rights-of-way, to include approximately four hundred seventy-eight acres, in connection with the project. Funding for the project shall be provided by the federal government from the Appalachian regional commission through the United States soil conservation service. Upon completion of the project, the property acquired shall be transferred to the state park system. The commissioner of the division of tourism and parks or the successor to the commissioner's powers and duties is directed to expand the boundaries of North Bend state park to include the project area and to operate the expanded park property, including improved recreational facilities, from funds appropriated for that purpose. (1994, 1st Ex. Sess., c. 26; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, in (d), in the first sentence, substituted "subsection (*l*)" for "subsection (k)," "subsection (n)" for "subsection (m),"and "subsection (a)" for "subdivision (a)"; and made a stylistic change.

§ 31-15A-10. Recommendations by council for expenditures of funds by loan, grant or for engineering assistance.

(a) To further accomplish the purpose and intent of this article, the water development authority shall use the moneys in the infrastructure fund created pursuant to section nine [§ 31-15A-9] of this article, upon receipt of one or more recommendations from the council pursuant to section five [§ 31-15A-5] of this article, to make loans, with or without interest, loan guarantees or grants and to provide other assistance, financial, technical or otherwise, to finance all or part of the costs of infrastructure projects or projects to be undertaken by a project sponsor: Provided, That any moneys disbursed from the infrastructure fund in the form of grants shall not exceed twenty percent of the total funds available for the funding of projects. No loan, loan guarantee, grant or other assistance shall be made or provided except upon a determination by the council that the loan, loan guarantee, grant or other assistance and the manner in which it will be provided are necessary or appropriate to accomplish the purposes and intent of this article, based upon an application submitted to the council: Provided, however, That no grant shall be made to a project sponsor that is not a governmental agency or a not for profit corporation under the provisions of section 501(c) of the Internal Revenue Code of 1986 [26

U.S.C.S. § 501(c)], as amended. Applications for loans, loan guarantees, grants or other assistance may be submitted by a project sponsor for one or more infrastructure projects on preliminary application forms prepared by the council pursuant to section four [§ 31-15A-4] of this article. Any recommendation of the council approving a loan, loan guarantee, grant or other assistance shall include a finding and determination by the council that the requirements of this section have been met. The council shall base any decisions to loan money for projects to project sponsors pursuant to this article solely on the need of the project sponsors.

(b) The council has the authority in its sole discretion to make grants to project sponsors if it finds that: (1) The level of rates for the users would otherwise be an unreasonable burden given the users' likely ability to pay; or (2) the absence of a sufficient number of users prevents funding of the project except through grants: Provided, That no project sponsor shall receive infrastructure grant money in an amount in excess of fifty percent of the total cost of the project. Therefore, the council may consider the economic or financial conditions of the area to be served. As a condition for receipt of a grant under this subsection, the council may require, in addition to any other conditions, that the applicant pursue other state or federal grant or loan programs. Upon a recommendation by the council, the water development authority shall provide the grant in accordance with the recommendation. The council shall develop criteria to be considered in making grants to project sponsors which shall require consideration of the economic or financial conditions of the area to be served and the availability of other funding sources. The council shall adopt procedural rules regarding the manner in which grants will be awarded in conformity with this section. The procedural rules shall be adopted pursuant to article three [§ 29A-3-1 et seq.], chapter twenty-nine-a of this code.

(c) Notwithstanding any other provision of this article to the contrary, the council shall apply a mandatory minimum end user utility rate that must be met by the project sponsor before funding assistance may be awarded. The mandatory minimum end utility rate shall be be based upon a uniform statewide percentage of the median household income in a particular geographic area and said rate shall not exceed six tenths of one percent: Provided, That funding assistance made from the proceeds of any general obligation bonds and revenue bonds issued after the fifteenth day of March, one thousand nine hundred ninety-eight, after transfer required to make the state match for the water and wastewater revolving loan programs pursuant to article two [§ 22C-2-1 et seq.], chapter twenty-two-c and article thirteen-c [§ 16-13C-1 et seq.], chapter sixteen of this code, shall be provided by the council on a pro rata basis divided equally among the congressional districts of this state as delineated in accordance with section three [§ 1-2-3], article two, chapter one of this code: Provided, however, That infrastructure projects as defined in subsection (1), section two [§ 31-15A-2] of this article shall not be subject to pro rata distribution. When determining median household income of a geographic area of the project to be served, the council shall consider any surveys of the income of the households that will be served by the project.

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(d) No loan or grant funds may be made available for a project if the project to be funded will provide subsidized services to certain users in the service area of the project.

(e) Notwithstanding any other provision of this article to the contrary, engineering studies and requirements imposed by the council for preliminary applications shall not exceed those engineering studies and requirements which are necessary for the council to determine the economic feasibility of the project. If the council determines that the engineering studies and requirements for the preapplication would impose an undue hardship on any project sponsor, the council may provide funding assistance to project sponsors to defray the expenses of the preapplication process from moneys available in the infrastructure fund for making loans: Provided, That the council may only provide funding assistance in an amount equal to five thousand dollars or fifty percent of the total preapplication cost of the project, whichever amount is greater. If the project is ultimately approved for a loan by the council, the amount of funding assistance provided to the project sponsor for the preapplication process shall be included in the total amount of the loan to be repaid by the project sponsor. If the project is not ultimately approved by the council, then the amount of funding assistance provided to the project sponsor will be considered a grant by the council and the total amount of the assistance shall be forgiven. In no event may the amount of funding assistance provided to all project sponsors exceed, in the aggregate, one hundred thousand dollars annually.

(f) The council shall report to the governor, the speaker of the House of Delegates and the president of the Senate during each regular and interim session of the Legislature, on its activities and decisions relating to distribution or planned distribution of grants and loans under the criteria to be developed pursuant to this article. (1994, 1st Ex. Sess., c. 26; 1995, c. 130; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, rewrote (c); added (f); and made a stylistic change.

§ 31-15A-11. Reservation of funds for projects and infrastructure projects.

Eighty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for the cost of projects as defined in subsection (n), section two [§ 31-15A-2(n)] of this article. Twenty percent of the funds deposited in the West Virginia infrastructure fund shall be dedicated for the purpose of providing funding for costs of infrastructure projects as defined in subsection (l), section two [§ 31-15A-2(l)] of this article. Project sponsors of infrastructure projects shall follow the application process as established by this article: Provided, That notwithstanding any provision of this article to the contrary, all applications for any infrastructure project shall be submitted to the council for community and economic devel-

opment, or its successor, for review, recommendation and approval regarding infrastructure project funding. (1994, 1st Ex. Sess., c. 26; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, in the first sentence, substituted "subsection (n)" for "subsection (m)," and in the second sentence, substituted "subsection (l)" for "subsection (k)."

§ 31-15A-13. Prohibition on funds inuring to the benefit of or being distributable to water development board; transactions between the water development board and officers having certain interests in such transactions.

No part of the infrastructure fund or the West Virginia infrastructure revenue debt service fund shall inure to the benefit of or be distributable to the water development board directors or officers of the water development authority except that the water development authority is authorized and empowered to pay reasonable compensation, other than to members of the water development board, including the chairman, vice chairman, secretary-treasurer for services rendered and to make loans and exercise its other powers as previously specified in furtherance of its corporate purpose: Provided. That no loans shall be made, and no property shall be purchased or leased from, or sold, leased or otherwise disposed of, to any water development board member or officer of the water development authority. (1994, 1st Ex. Sess., c. 26; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, inserted "or the West Virginia infrastructure revenue debt service fund."

§ 31-15A-16. Dedication of severance tax proceeds.

(a) There shall be dedicated an annual amount from the collections of the tax collected pursuant to article thirteen-a [§ 11-13A-1 et seq.], chapter eleven of this code for the construction, extension, expansion, rehabilitation, repair and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction and improvement of sites for economic development in this state as provided in this article.

(b) Notwithstanding any other provision of this code to the contrary, beginning on the first day of July, one thousand nine hundred ninety-five, the first sixteen million dollars of the tax collected pursuant to article thirteen-a, chapter eleven of this code shall be deposited to the credit of the West Virginia infrastructure general obligation debt service fund created pursuant to section three [§ 31-15B-3], article fifteen-b of this chapter: Provided, That beginning on the first day of July, one thousand nine hundred ninety-eight, the first twenty-four million dollars of the tax annually collected pursuant to article thirteen-a [§ 31-13A-1 et seq.] of this code shall be deposited to the credit of the West Virginia infrastructure general obligation debt service fund created pursuant to section three, article fifteen-b of this chapter.

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(c) Notwithstanding any provision of subsection (b) of this section to the contrary: (1) none of the collections from the tax imposed pursuant to section six [§ 11-13A-6], article thirteen-a, chapter eleven of this code shall be so dedicated or deposited; and (2) the portion of the tax imposed by article thirteen-a, chapter eleven and dedicated for purposes of medicaid and the division of forestry pursuant to section twenty-a [§ 11-13A-20a] of said article thirteen-a shall remain dedicated for the purposes set forth in said section twenty-a.

(d) On or before the first day of May of each year, commencing the first day of May, one thousand nine hundred ninety-five, the council, by resolution, shall certify to the treasurer and the water development authority the principal and interest coverage ratio and amount for the following fiscal year on any infrastructure general obligation bonds issued pursuant to the provisions of article fifteen-b [§ 31-15B-1 et seq.] of this chapter. (1994, 1st Ex. Sess., c. 26; 1995, c. 130; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, inserted (c), and redesignated the former (c) as (d); and in (b), rewrote the proviso.

§ 31-15A-17. Water development authority empowered to issue infrastructure revenue bonds and refunding bonds; creation of infrastructure revenue debt service fund; funding of infrastructure revenue debt service fund; requirements and manner of such issuance.

(a) To accomplish the purpose and intent of this article, the water development authority is hereby empowered at the written request of the council to issue from time to time infrastructure revenue bonds of the state in such principal amounts as the council deems necessary to make loans and loan guarantees and other forms of financial assistance to project sponsors for one or more projects or infrastructure projects: Provided, That the water development authority may not issue any such bonds, other than refunding bonds, unless the council by resolution determines that the aggregate cost of the projects or infrastructure projects expected to be constructed during any annual period exceeds (1) the projected annual infrastructure revenues for the same period, and (2) the principal and interest payments not otherwise pledged to the infrastructure revenue debt service fund that are due the water development authority on all outstanding loans previously made by the water development authority pursuant to the provisions of this article.

(b) The proceeds of infrastructure revenue bonds shall be used solely for the purpose of making loans and loan guarantees and other forms of financial assistance to sponsors of one or more projects or infrastructure projects, and shall be deposited in one or more special accounts with the trustee under the trust agreement securing such bonds and disbursed from time to time for projects or infrastructure projects in accordance with this article: Provided, That notwithstanding any provision of this code to the contrary, twenty

percent of the funds deposited in the special account shall be dedicated for the purpose of providing funding for costs of infrastructure projects as defined in subsection (*l*), section two [§ 31-15A-2(*l*)], of this article.

(c) The water development authority may not authorize the disbursement of any proceeds of infrastructure revenue bonds unless it has received documentation from the council pursuant to the provisions of section ten [§ 31-15A-10] of this article.

(d) There is hereby created in the water development authority a special fund which shall be designated and known as the "West Virginia Infrastructure Revenue Debt Service Fund," into which shall be transferred solely from the loan repayments deposited in the infrastructure fund the amounts certified by the director of the water development authority as necessary to pay the principal, premium, if any, and interest on infrastructure revenue bonds and any reserve requirements, subject to the terms of any agreement with the holders of the infrastructure revenue bonds. All amounts deposited in the West Virginia infrastructure revenue debt service fund shall be pledged to the repayment of the principal, interest and redemption premium, if any, on any infrastructure revenue bonds authorized by this article: Provided, That amounts on deposit in the fund may be used to establish or maintain reserves created for the purposes of securing such infrastructure revenue bonds. The pledge shall be valid and binding from the time the pledge is made, and the West Virginia infrastructure revenue debt service fund so pledged shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the water development authority irrespective of whether the parties have notice thereof.

(e) Except as may otherwise be expressly provided in this article or by resolution of the water development authority, every issue of infrastructure revenue bonds shall be special obligations of the water development authority payable solely from amounts in the West Virginia infrastructure revenue debt service fund, and the reserves created for this purpose by the water development authority, without preference or priority among the bonds regardless of when issued, subject only to any agreements with the holders of any bonds to the contrary. All such bonds are hereby declared to be negotiable instruments.

(f) Infrastructure revenue bonds shall be authorized by resolution of the water development authority. These bonds shall bear such dates and shall mature at such times, in case of any note or renewal thereof not exceeding five years from the date of issue of the original note, and in the case of any bond not exceeding fifty years from the date of issue, as the resolution may provide. Infrastructure revenue bonds shall bear interest at a rate or rates, including variable rates, shall be taxable or tax-exempt, shall be in the denominations, shall be in registered form, shall carry the registration privileges, shall be payable in the medium and place of payment, and shall be subject to the terms of redemption as the water development authority may authorize. Infrastructure revenue bonds may be sold by the water development authority at public or private sale at the price the water development authority determines in

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consultation with the council. Infrastructure revenue bonds shall be executed by the chairman and the vice chairman of the water development authority, either or both of whom may use a facsimile signature. The official seal of the water development authority or a facsimile thereof shall be affixed thereto or printed thereon and attested by manual or facsimile signature by the secretary-treasurer of the water development authority. If any officer whose signature, or a facsimile of whose signature appears on any infrastructure revenue bond ceases to be such officer before delivery of such bond, such signature or facsimile is nevertheless sufficient for all purposes to the same extent as if he or she had remained in office until such delivery, and if the seal of the water development authority has been changed after a facsimile has been imprinted on such bond, the facsimile will continue to be sufficient for all purposes.

(g) Any resolution authorizing any infrastructure revenue bonds may contain provisions, subject to any agreement with bondholders or noteholders which may then exist, which agreements shall be part of the contract with the holder thereof, with respect to the pledge of or other use and disposition of amounts in the infrastructure revenue debt service fund; the setting aside of reserve funds; the disposition of any assets of the water development authority; limitations on the purpose to which the proceeds of sale of bonds may be applied; the authorization of notes issued in anticipation of the issuance of bonds; an agreement of the water development authority to do all things necessary for the authorization, issuance and sale of such bonds in such amounts as may be necessary for the timely retirement of such notes; limitations on the issuance of additional bonds; the terms upon which additional bonds may be issued and secured; the refunding of outstanding bonds and the renewal of outstanding notes; the procedures, if any, by which the terms of any contract with bondholders or noteholders may be amended or abrogated; the amount of bonds the holders of which must consent thereto and the manner in which such consent may be given; and any other matter which in any way affects the security for or protection of the bonds.

(h) In the event that the sum of all reserves pledged to the payment of the bonds is less than the minimum reserve requirements established in any resolution or resolutions authorizing the issuance of the bonds, the chairman or the director of the water development authority shall certify, on or before the first day of December of each year, the amount of such deficiency to the governor of the state for inclusion, if the governor shall so elect, of the amount of such deficiency in the budget to be submitted to the next session of the Legislature for appropriation to the water development authority to be pledged for payment of such bonds: Provided, That the Legislature shall not be required to make any appropriations so requested, and the amount of such deficiencies shall not constitute a debt or liability of the state.

(i) Neither the officers or board members of the water development authority, nor any person executing the infrastructure revenue bonds, shall be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance thereof. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-18. Trustee for holders of infrastructure revenue bonds; contents of trust agreement.

(a) Any infrastructure revenue bonds issued by the water development authority under this article shall be secured by a trust agreement between the water development authority and a corporate trustee, which trustee may be any trust company or banking institution having the powers of a trust company within this state.

(b) Any trust agreement may pledge or assign the infrastructure revenue debt service fund. Any trust agreement or any resolution providing for the issuance of such bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders or noteholders as are reasonable and proper and not in violation of law, including the provisions contained in section seventeen [§ 31-15A-17] of this article, and covenants setting forth the duties of the water development authority in respect to the payment of the principal of and interest, charges and fees on loans made to, or bond purchases from, governmental agencies from the proceeds of the bonds, and the custody, safeguarding and application of all moneys. Any banking institution or trust company incorporated under the laws of this state which may act as depository of the proceeds of bonds or of the infrastructure debt service fund shall furnish such indemnifying bonds or pledge securities as are required by the water development authority. The trust agreement may set forth the rights and remedies of the bondholders and noteholders and of the trustee and may restrict individual rights of action by bondholders and noteholders as customarily provided in trust agreements or trust indentures securing similar bonds and notes. The trust agreement may contain such other provisions as the water development authority deems reasonable and proper for the security of the bondholders or noteholders. All expenses incurred in carrying out the provisions of any such trust agreement may be treated as part of the cost of the construction, renovation, repair, improvement or acquisition of a project or infrastructure project. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-19. Legal remedies of infrastructure revenue bondholders or noteholders and trustees.

Any holder of infrastructure revenue bonds issued pursuant to this article and the trustee under any trust agreement, except to the extent the rights given by this article may be restricted by the applicable resolution or trust agreement, may by civil action, mandamus or other proceedings protect and enforce any rights granted under the laws of this state or granted under this article, by the trust agreement or by the resolution in the issuance of the

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bonds, and may enforce and compel the performance of all duties required by this article, pursuant to the trust agreement or resolution, to be performed by the water development authority or any officer thereof. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-20. Infrastructure revenue bonds lawful investments.

All infrastructure revenue bonds issued pursuant to this article shall be lawful investments for banking institutions, societies for savings, building and loan associations, savings and loan associations, deposit guarantee associations, trust companies, and insurance companies, including domestic for life and domestic not for life insurance companies. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-21. Purchase and cancellation of infrastructure revenue bonds.

(a) The water development authority, subject to such agreements with noteholders or bondholders as may then exist, shall have the power, from any funds available therefor, to purchase or redeem infrastructure revenue bonds of the water development authority.

(b) If the infrastructure revenue bonds are then redeemable, the price of the purchase shall not exceed the redemption price then applicable, plus accrued interest to the next interest payment date thereon. If the infrastructure revenue bonds are not then redeemable, the price of the purchase shall not exceed the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption, plus accrued interest to such date. Upon purchase or redemption, the bonds shall be canceled. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-22. Refunding revenue bonds.

Any infrastructure revenue bonds issued pursuant to the provisions of this article and at any time outstanding may at any time and from time to time be refunded by the water development authority by the issuance of its refunding revenue bonds in an amount it deems necessary to refund the principal of the bonds to be refunded, together with any unpaid interest thereon, to provide additional funds for the water development authority to accomplish the purpose of this article, and to pay any premiums and commissions necessary to

be paid in connection therewith. Any refunding may be effected whether the infrastructure revenue bonds to be refunded shall have then matured or shall thereafter mature: Provided, That the holders of any infrastructure revenue bonds so to be refunded shall not be compelled without their consent to surrender their infrastructure revenue bonds for payment or exchange prior to the date on which they are payable or, if they are called for redemption, prior to the date on which they are by their terms subject to redemption. Any refunding revenue bonds issued pursuant to this article shall be payable from the West Virginia infrastructure revenue debt service fund, and shall be subject to the provisions contained in section seventeen [§ 31-15A-17] of this article, and shall be secured in accordance with the provisions of sections seventeen and eighteen [§§ 31-15A-17 and 31-15A-18] of this article. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-23. Infrastructure revenue bonds not debt of state, county, municipality or any political subdivision.

Infrastructure revenue bonds issued pursuant to the provisions of this article shall not constitute a debt or a pledge of the faith and credit or taxing power of this state or of any county, municipality or any other political subdivision of this state. The holders or owners thereof shall have no right to have taxes levied by the Legislature or the taxing authority of any county, municipality or any other political subdivision of this state for the payment of the principal thereof or interest thereon. The bonds shall be payable solely from the revenues and funds pledged for their payment as authorized by this article. All such bonds shall contain on the face thereof a statement to the effect that the bonds, as to both principal and interest, are not debts of the state or any county, municipality or political subdivision thereof, but are payable solely from revenues and funds pledged for their payment. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

§ 31-15A-24. Infrastructure revenue bonds exempt from taxation.

The exercise of the powers granted to the water development authority by this article will be in all respects for the benefit of the people of the state, for the improvement of their health, safety, convenience and welfare and for the enhancement of their residential, agricultural, recreational, economic, commercial and industrial opportunities and is for a public purpose. As the construction, acquisition, repair or renovation of projects or infrastructure projects will constitute the performance of essential governmental functions,

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the water development authority shall not be required to pay any taxes or assessments upon any project or upon any property acquired or used by the water development authority or upon the income therefrom. The infrastructure revenue bonds and all interest and income thereon shall be exempt from all taxation by this state, or any county, municipality, political subdivision or agency thereof, except estate taxes. (1998, c. 180.)

Effective dates. — Acts 1998, c. 180, provided that the act take effect ninety days from passage (Mar. 14, 1998).

ARTICLE 15B.

INFRASTRUCTURE BONDS.

Sec.
31-15B-2. Infrastructure general obligation bonds; amount; when may issue.

§ 31-15B-2. Infrastructure general obligation bonds; amount; when may issue.

Bonds of the state of West Virginia, under authority of the infrastructure improvement amendment of 1994, of the par value not to exceed in the aggregate three hundred million dollars, are hereby authorized to be issued and sold solely for the construction, extension, expansion, rehabilitation, repair and improvement of water supply and sewage treatment systems and for the acquisition, preparation, construction and improvement of sites for economic development as provided for by the constitution and the provisions of this article.

These bonds may be issued by the governor upon resolution by the infrastructure council and certification to the governor. The bonds shall bear such date and mature at such time, bear interest at such rate not to exceed eight percent per annum, be in such amounts, be in such denominations, be in such registered form, carry such registration privileges, be due and payable at such time and place and in such amounts, and subject to such terms of redemption as such resolution may provide: Provided, That in no event may the amount of bonds outstanding exceed an amount for which twenty-four million dollars would not be sufficient to provide annual service on the total amount of debt outstanding.

Both the principal and interest of the bonds shall be payable in the lawful money of the United States of America and the bonds and the interest thereon shall be exempt from taxation by the state of West Virginia, or by any county, district or municipality thereof, which fact shall appear on the face of the bonds as part of the contract with the holder of the bond.

The bonds shall be executed on behalf of the state of West Virginia, by the manual or facsimile signature of the treasurer thereof, under the great seal of the state or a facsimile thereof, and countersigned by the manual or facsimile signature of the auditor of the state. (1995, c. 130; 1998, c. 180.)

Effect of amendment of 1998. — The amendment, effective June 12, 1998, in the second paragraph, substituted "twenty-four million dollars" for "sixteen million dollars."

ARTICLE 16.

WEST VIRGINIA STEEL FUTURES PROGRAM.

Sec.
31-16-1. Legislative intent; purpose and administration.
31-16-2. Steel advisory commission; membership, appointment, terms, quorum and selection of officers.
31-16-3. General powers of the commission.
31-16-4. Steel futures program.
31-16-5. Continuation of program.

§ 31-16-1. Legislative intent; purpose and administration.

The Legislature recognizes that the steel industry plays a significant role in West Virginia's economy, and the industry's survival and success is of significant importance to the residents and the tax base of the state. Because of this significant economic role, there is hereby created in the bureau of commerce a steel advisory commission and a new program entitled "The Steel Futures Program". The purpose of the commission and the program is to preserve and improve the economy of the state by promoting employment and increased productivity, thereby ensuring continued economic development consistent with these goals, and to maintain a high standard of living for the residents of the state. The commission, through the steel futures program, may supplement any other enterprise assistance program administered by the West Virginia development office. The steel futures program shall be administered so as to provide financial and technical assistance as provided in this article to increase the competitiveness of existing steel and steel-related industries within the state and to encourage the establishment and development of new steel and steel-related industries within the state. (1993, c. 128; 1997, c. 169.)

Effect of amendment of 1997. — The amendment, in the second sentence, substituted "bureau of commerce" for "West Virginia department of commerce, labor and environmental resources"; and in the fourth sentence, substituted "West Virginia development office" for "West Virginia department of commerce, labor and environmental resources."

§ 31-16-2. Steel advisory commission; membership, appointment, terms, quorum and selection of officers.

(a) There is hereby created the West Virginia steel advisory commission within the bureau of commerce, which shall consist of fifteen members. The governor or his or her designee shall be a member of the commission and shall serve as its chairperson. Ten members shall be appointed by the governor with the advice and consent of the Senate. At least four of the members appointed by the governor shall be senior management representatives of steel manufacturing companies that employ over fifty people. At least two of the members appointed by the governor shall be representatives of organized labor. One of the members appointed by the governor shall be a member of the united

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21. PSC Order Approving Rates

22. PSC Order Granting Certificate of Convenience and Necessity

23. West Virginia Infrastructure and Jobs Development Council approval letter

24. West Virginia Municipal Bond Commission New Issue Report

25. WDA's Consent to Issuance of Parity Bond and Parity Lien

26. Specimen Bond

27. Issuer's Counsel Opinion

28. Bond Counsel Opinion

29. Final Title Opinion

30. 1994 Bond Resolution

31. 1995 Bond Resolution.

32. 1999 Bond Resolution

33. Bond Registry Form

34. Cross-Receipt for Bond and Bond Proceeds

35. Loan Agreement

36. NPDES Permit

37. Evidence of Insurance

38. Closing Memorandum

39. Receipt for Payment of 1998 Note

40. Receipt for Payment of 1979 Bond

41. Copy of Statutory Authority

The closing of the sale of $3,118,574 Chelyan Public Service District, Sewer Revenue Bond, Series 2002 (West Virginia Infrastructure Fund), will take place at the West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia at 1:30 p.m., Eastern Time, on June 4, 2002. No transaction shall be deemed to have been completed and no documents shall be deemed to have been delivered unless and until all transactions are complete and all documents are delivered. Any document that references an Exhibit or Schedule to be attached thereto shall be considered completed and attached if the referenced Exhibit or Schedule appears elsewhere in this Transcript.

IC-2
(7/30/01)

GRANT AGREEMENT

This Grant Agreement entered into by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") and CHELYAN 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 $1,750,000 (the "Grant") for the purposes of the design, acquisition or construction 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 purposes of designing, acquiring or constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Grant Agreement sets forth the Council, the Authority and the Governmental Agency's understandings 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.

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 list the Grant provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project.

8. This Grant 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.

CHELYAN PUBLIC SERVICE DISTRICT

By: Joyce McPhail
Its: Chairperson
Date: June 4, 2002

(SEAL)

Attest:

Samuel L. Shelton
Its: Secretary

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: Daniel B. Yankoski
Its: Director
Date: June 4, 2002

(SEAL)

Attest:

Barbara B Meadows
Its: Secretary-Treasurer

000832/00466
06/03/02

Exhibit A

Project Description

The Project consists of sanitary sewer collection and treatment facilities to certain areas of Giles, Ohley, Eskdale and Leewood in Kanawha County, West Virginia.

STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

CECIL H. UNDERWOOD
GOVERNOR

August 13, 2000

The Honorable W. Kent Carper
President
Kanawha County Commission
Kanawha County Courthouse
Charleston, West Virginia 25301

Dear Commissioner Carper:

Thank you for your application to the Small Cities Block Grant program for fiscal year 2000.

Your request has been approved in the amount of $1,500,000. These funds will enable you to complete Phase II of the extension of public sewer service from the Chelyan Public Service District to the residents of the Cabin Creek area.

The West Virginia Development Office, Community Development Division staff, will contact you to complete the necessary contract in order to proceed with your project.

The West Virginia Development Office reserves the right to withdraw these funds if your project does not proceed on schedule. These funds would be replaced with a letter of intent for consideration from future allocations.

I am pleased to assist with these improvements for the citizens of the Cabin Creek area.

Very sincerely,

Cecil H. Underwood

CHU:jmo

5 CBG

Kanawha County Planning and Community Development

Second Floor, 407 Virginia Street, East Charleston, West Virginia 25301 (304) 357-0570

RECEIVED

ORIGINAL APR 2 6 2001

MEMORANDUM

TO: All Interested Parties

FROM: David L. Bostic DLB

RE: Cabin Creek Sewer Extension – Phase II

DATE: April 20, 2001

Enclosed is a "Notice to Public of No Significant Impact on the Environment and Notice to Public of Request for Release of Funds" in connection with the Cabin Creek Sewer Extension – Phase II, Small Cities Block Grant from the State of West Virginia under Title I of the Housing and Community Development Act of 1974.

All interested agencies, groups and persons disagreeing with this decision are invited to submit written comments for consideration with the Kanawha County Commission to the Office of Planning and Community Development, Kanawha County Courthouse, 407 Virginia Street, East, Charleston, WV 25301.

jg

Enclosure

KANAWHA COUNTY COMMISSION

Post Office Box 3627
Charleston, West Virginia 25336

Telephone (304) 357-0101
Fax (304) 357-0788

Henry C. Shores
Commissioner

W. Kent Carper
Commissioner

David J. "Dave" Hardy
Commissioner

NOTICE TO PUBLIC OF NO SIGNIFICANT IMPACT ON THE ENVIRONMENT AND NOTICE TO PUBLIC OF REQUEST FOR RELEASE OF FUNDS

Kanawha County Commission
Post Office Box 3627
Charleston, West Virginia 25336

Date: April 19, 2001

Telephone: 357-0101

TO ALL INTERESTED AGENCIES, GROUPS AND PERSONS:

On or about May 15, 2001, the above named Kanawha County Commission will request the State of West Virginia to release Federal funds under Title I of the Housing and Community Development Act of 1974 (PL 93-383) for the following project:

Cabin Creek Sewer Extension – Phase II	
Kanawha County	
Fiscal Year 2001 Funds	$1,500,000.00
Project Cost	$6,700,000.00

The purpose of this combined Notice is to meet two separate procedural requirements of 24 CFR 58:

1. a Notice of Finding of No Significant Impact
2. a Notice of Intent to Request Release of Funds.

Those wishing to comment must specify which Notice is being addressed.

Finding of No Significant Impact

It has been determined that such request for release of funds will not constitute an action significantly affecting the quality of human environment and accordingly the above named Kanawha County Commission has made a decision not to prepare an Environmental Impact Statement under the National Environmental Policy Act of 1969 (PL 91-190).

The reasons for such decision not to prepare such statements are as follows:

All but a small portion of the Project will be constructed underground and no known Historical Architectural or Archaeological Site will be affected.

An Environmental Review Record respecting the within project has been made by the above-named Kanawha County Commission which documents the environmental review of the project and more fully sets forth the reasons why such Statement is not required. This Environmental Review Record is on file at the above address and is available for public examination and copying upon request between the hours of 8:00 A.M. and 4:00 P.M.

Public Comments on Finding

All interested agencies, groups and persons disagreeing with this decision are invited to submit written comments for consideration with the Kanawha County Commission to the office of the Planning and Community Development. Such written comments should be received at the preceding address on or before May 10, 2001. All such comments so received will be considered and the Kanawha County Commission will not request the release of Federal funds or take an administrative action on the within project prior to the date specified in the preceding sentence.

Release of Funds

The Kanawha County Commission will undertake the project described above with SCBG funds from the State of West Virginia, under Title I of the Housing and Community Development Act of 1974. The Kanawha County Commission is certifying to the State that the Kanawha County Commission and W. Kent Carper, in his official capacity as President of the Kanawha County Commission, consent to accept the jurisdiction of the Federal courts if an action is brought to enforce responsibilities in relation to environmental reviews, decision-making, and action; and that these responsibilities have been satisfied. The legal effect of the certification is that upon its approval, the Kanawha County Commission may use the Block Grant funds, and the State of West Virginia will have satisfied its responsibilities under the National Environmental Policy Act of 1969.

Objections to Release of Funds

The State of West Virginia will accept an objection to its approval of the Release of Funds and acceptance of the Certification for a period of fifteen days following its receipt of the request only if it is on one of the following basis: a) that the certification was not in fact executed by the chief executive officer or other officer of recipient approved by the State; b) that recipient's environmental review record for the project indicates omission of a required decision, finding or step applicable to the project in the environmental review process; c) another Federal agency acting pursuant to 40 CFR Part 1504 has submitted a written finding that the project is unsatisfactory from the standpoint of environmental quality, or d) violation of historic preservation procedures and requirements.

Objections must be prepared and submitted in accordance with the required procedure (24 CFR Part 58), and may be addressed to the State of West Virginia at Building 6, Room 553, State Capitol Complex, Charleston, West Virginia 25305. Objections to the Release of Funds on basis other than those stated above will not be considered by the State of West Virginia. No objection received after June 4, 2001 will be considered by the State of West Virginia unless because of unforeseen delay, the Request for Release of Funds was received after the date mentioned at the beginning of this Notice. Since this is possible and would cause a change in the objection period, objections should contact the State to verify the date of the last day in the objection period.

W. Kent Carper, President
Kanawha County Commission
Post Office Box 3627
Charleston, West Virginia 25336

KANAWHA COUNTY COMMISSION

P Office Box 3627
Charleston, West Virginia 25336

Telephone (304) 357-0101
Fax (304) 357-0788

Henry C. Shores
Commissioner

W. Kent Carper
Commissioner

David J. "Dave" Hardy
Commissioner

March 27, 2001

RE: LETTER OF INTENT

AGENCY:	Chelyan Public Service District	**TELEPHONE:**	(304) 595-2203
ADDRESS:	P.O. Box 8	**AMOUNT:**	$1,050,000
	Cabin Creek, WV 25305	**FUND:**	General Fund Coal Severance Fund
PROJECT DIRECTOR:	Joyce McPhail, Chairwoman	**ACCOUNT NO.:**	23-809-5-68.00
PROJECT SUMMARY:	Phase II Cabin Creek Sewer Project		

Dear Ms. McPhail:

Please be advised that the Kanawha County Commission has appropriated, as of this date, the money outlined above, as per your request; however, before any money is officially obligated, you must sign and return the attached General & Specific Requirements. These requirements are an essential part of this Letter of Intent.

The Kanawha County Commission is honored to have the opportunity to work with you on this worthwhile project for the citizens of Kanawha County.

Sincerely,

W. Kent Carper

W. Kent Carper, President

Henry C. Shores, Commissioner

Dave Hardy

Dave Hardy, Commissioner

LOI#00-01-012

KANAWHA COUNTY COMMISSION

SPECIFIC REQUIREMENTS

The Kanawha County Commission is allocating One million fifty thousand dollars ($1,050,000) to the Chelyan Public Service District for Phase II of the Cabin Creek Sewer Project as follows:

$250,000 Funds Remaining From the Cabin Creek Sewer Project Phase I
$400,000 Fiscal Year 2000-2001 General Fund
$100,000 Fiscal Year 2000-2001 Coal Severance Fund
$300,000 Fiscal Year 2000-2001 Funds Transferred from 48-429-4-59 to 23-809-5-68 (Pending State Auditor Approval)

All rules and regulations of the Kanawha County Commission Purchasing Department shall be followed in the expenditure of these funds.

CERTIFICATION OF COMPLIANCE

I hereby acknowledge the aforementioned Specific Requirements and certify to their compliance in the expenditure of these monies. I also hereby acknowledge that any funds expended in contravention of federal or state laws and regulations and these Specific Requirements, that may e identified as an audit exception requiring repayment, will be the sole responsibility of the recipient organization and not the Kanawha County Commission.

Joyce L. McPhail
Project Director

Chelyan Public Service District
Agency

Date: March 30, 2001

LOI # 00-01-012

AT A REGULAR SESSION OF THE COUNTY COURT OF KANAWHA COUNTY, WEST VIRGINIA, CONTINUED AND HELD FOR SAID COUNTY AT THE COURTHOUSE THEREOF ON WEDNESDAY, THE 16TH DAY OF AUGUST, A. D., 1972.

MEMBERS: HONORABLE HENRY C. SHORES, PRESIDENT, KELLY L. CASTLEBERRY AND DEWEY E. S. KUHNS, GENTLEMEN COMMISSIONERS OF THE COUNTY.

RE: A RESOLUTION AND ORDER CREATING THE CHELYAN PUBLIC SERVICE DISTRICT IN KANAWHA COUNTY, WEST VIRGINIA

WHEREAS, the County Court of Kanawha County, West Virginia did heretofore, by an order adopted on the 14th day of July, 1972, fix a date for a public hearing on the creation of the proposed Chelyan Public Service District, and in and by said order provide that all persons residing in or having any interest in property in the proposed Chelyan Public Service District might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said District; and,

WHEREAS, notice of this hearing was duly given in the manner provided and required by said order and by Article 13A of Chapter 16 of the West Virginia Code, and all interested persons have been afforded an opportunity of being heard for and against the creation of said District, but no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed Public Service District and said County Court has given due consideration to all matters for which such hearing was offered; and,

WHEREAS, said hearing was held at the time and place stated in said order on August 16, 1972 at 10 o'clock A. M., E.D.S.T., and the Court considered the question of creating said Public Service District; and

WHEREAS, it is now deemed desirable by said County Court to adopt a resolution and order creating said District;

NOW, THEREFORE, BE IT, AND IT IS HEREBY RESOLVED and ORDERED by the County Court of Kanawha County, West Virginia, as follows:

Section 1. That said Chelyan Public Service District within Kanawha County, West Virginia, is hereby created, and said District shall have the following boundaries:

"BEGINNING at a point at the junction of Brawleys Hollow and the Great Kanawha River, such point being near a navigation light on the bank of the Great Kanawha River, thence in a southwesterly direction 375 feet, more or less, crossing the Baltimore & Ohio - Chesapeake & Ohio Railroad, and the West Virginia Turnpike, to a point on the northwesterly property line of Parcel No. 43, Map 39, Cabin Creek District, Kanawha County, West Virginia, as shown on a map on file in the Office of the Assessor;

thence following the meandering northwesterly property line of Parcel No. 43, Map 39, in a southwesterly direction, a distance of 2,000 feet, more or less;

thence following the southwesterly property line of Parcel No. 43, Map 39, in a southeasterly direction, a distance of 2,500 feet, more or less;

thence westerly following the meandering northerly property line of Parcel No. 1, Map 42, a distance of 2,100 feet, more or less;

thence southerly following the westerly property line of Parcel No. 1, Map No. 42, a distance of 2,800 feet, more or less;

thence easterly following the southerly property line of Parcel No. 10, Map No. 42, a distance of 7,300 feet, more or less, to a point on Slaughter Creek;

thence down Slaughter Creek in a northwesterly direction, a distance of 5,500 feet, more or less, to a point on the northerly property line of Parcel No. 1, Map No. 51;

thence easterly following the northerly property line of Parcel No. 1, Map No. 51 for a distance of 4,560 feet, more or less;

thence, southerly following the easterly property line of Parcel No. 1, Map No. 51, a distance of 1,700 feet, more or less, to a point on Kanawha County Route 79;

thence in an easterly direction, 550 feet, more or less, crossing Kanawha County Route 79, the Baltimore & Ohio - Chesapeake & Ohio Railroad, and the West Virginia Turnpike, to a point common to the property line of the West Virginia Turnpike and the westerly property line of Parcel No. 7, Map No. 43;

thence northerly following the westerly property line of Parcel No. 7, Map No. 43, a distance of 1,930 feet, more or less;

thence northeasterly following the northerly property line of Parcel No. 7, Map No. 43; a distance of 1,030 feet, more or less;

thence northwesterly for a distance of 680 feet, more or less, to a point 500 feet southeasterly of the Baltimore & Ohio - Chesapeake & Ohio Railroad;

thence northeasterly, parallel to and 500 feet distance from the Baltimore & Ohio - Chesapeake & Ohio Railroad, a distance of 5,000 feet, more or less;

thence northwesterly for a distance of 650 feet, more or less, to a point on the bank of the Great Kanawha River, crossing Kanawha County Route 61 and the Baltimore & Ohio - Chesapeake & Ohio Railroad;

thence westerly following the bank of the Great Kanawha River, a distance of 15,900 feet, more or less, to the point of beginning, a map of which is attached hereto and made a part hereof.

in Cabin Creek Magisterial District of the County of Kanawha, West Virginia, as shown on a map prepared by Allen A. Van Horn, Registered Professional Engineer, No. 5539, dated April 17, 1972.

Section 2. That said Public Service District so created shall have the name and corporate title of Chelyan Public Service District and shall constitute a public corporation and political subdivision of the State of West Virginia having all the rights and powers conferred on public service districts by the laws of the State of West Virginia and particularly Article 13A of Chapter 16 of the Code of West Virginia.

Section 3. That the County Court of Kanawha County, West Virginia, has determined that the territory within Kanawha County, West Virginia, having the herein described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying water or sewerage, or both, within such territory by said Public Service District will be conducive to the preservation of public health, comfort and convenience of such area.

3-25

Adopted by the County Court of Kanawha County, West Virginia on this 16th day of August, 1972.

Teste:

THE COUNTY COURT OF KANAWHA COUNTY

Approved By:

County Attorney

ALMA Y KING, do hereby certify that this is a true copy from the original.
Teste: ALMA Y. KING, Clerk
Kanawha County Commission
Date 5/11/98 By Linda C. Bright
Deputy

2002-117

At a regular session of the County Commission of Kanawha County, West Virginia, held at the Courthouse thereof, on the 21st day of February, 2002, the following order was made and entered:

RE: SAMUEL LAMONT SHELTON - REAPPOINTMENT TO THE CHELYAN PUBLIC SERVICE DISTRICT

The following motion was offered by W. Kent Carper, Commissioner:

The County Commission of Kanawha County, West Virginia, having been apprised of the expiration of the term of Samuel Lamont Shelton, a member of the Chelyan Public Service District, doth hereby ORDER that Samuel Lamont Shelton, Post Office Box 97, Dawes, West Virginia 25054, be reappointed to the Chelyan Public Service District for a term expiring August 1, 2006.

It is further ORDERED that the said Samuel Lamont Shelton shall appear at the office of the County Commission and shall qualify by taking the oath of office as required by Chapter 16, Article 13A, Section 3, of the Code of West Virginia, 1931, as amended.

The adoption of the foregoing motion having been moved by W. Kent Carper, Commissioner, and duly seconded by Henry C. Shores, Commissioner, the vote thereon was as follows:

Dave Hardy, President	Absent
Henry C. Shores, Commissioner	Aye
W. Kent Carper, Commissioner	Aye

WHEREUPON, Henry C. Shores, President pro tem, declared said motion duly adopted, and it is therefore ADJUDGED and ORDERED that said motion be and the same is hereby adopted.

Dave Hardy, President

Henry C. Shores, Commissioner

W. Kent Carper, Commissioner

Approved By: _____
County Attorney

99-258

At a Regular Session of the County Commission of Kanawha County, West Virginia, held at the Courthouse thereof, on the 12th day of August, 1999, the following order was made and entered:

SUBJECT: REAPPOINTMENT OF JOYCE MCPHAIL TO THE CHELYAN PUBLIC SERVICE DISTRICT

The following motion was offered by Henry C. Shores Commissioner:

The County Commission of Kanawha County, West Virginia, having been apprised of the expiration of the term of Joyce McPhail, a member of the Chelyan Public Service District, doth ORDER that Joyce McPhail, PO Box 548, Chelyan, West Virginia 25306, be and is hereby reappointed to the Chelyan Public Service District to serve for a term expiring August 1, 2005.

It is further ORDERED that the said Joyce McPhail shall appear at the office of the Clerk of the County Commission or a Notary Public in and for the State of West Virginia and shall qualify by taking the oath of office as required in Chapter 16, Article 13A, Section 3, of the Code of West Virginia, 1931, as amended.

The adoption of the foregoing motion having been moved by Henry C. Shores, Commissioner, and duly seconded by Louis H. Bloom, Commissioner, the vote thereon was as follows:

W. Kent Carper, President	Aye
Louis H. Bloom, Commissioner	Aye
Henry C. Shores, Commissioner	Aye

WHEREUPON, W. Kent Carper President, declared said motion duly adopted; and it is therefore ADJUDGED and ORDERED that said motion be, and the same is hereby adopted.

W. Kent Carper, President

Louis H. Bloom, Commissioner

Henry C. Shores, Commissioner

Approved By: _____
County Attorney

98-352

At a Regular Session of the County Commission of Kanawha County, West Virginia, held at the Courthouse thereof, on the 3rd day of September, 1998, the following order was made and entered:

SUBJECT: REAPPOINTMENT OF JERRY W. JESSIE TO THE CHELYAN PUBLIC SERVICE DISTRICT

The following motion was offered by Henry C. Shores Commissioner:

The County Commission of Kanawha County, West Virginia, having been apprised of the expiration of the term of Jerry W. Jessie, a member of the Chelyan Public Service District, doth ORDER that Jerry W. Jessie, 2006-A East DuPont Avenue, Belle, West Virginia 25015, be and is hereby reappointed to the Chelyan Public Service District to serve for a term expiring August 1, 2003.

It is further ORDERED that the said Jerry W. Jessie shall appear at the office of the County Commission and shall qualify by taking the oath of office as required in Chapter 16, Article 13A, Section 3, of the Code of West Virginia, 1931, as amend.d.

The adoption of the foregoing motion having been moved by Henry C. Shores, Commissioner, and duly seconded by W. Kent Carper, Commissioner, the vote thereon was as follows:

Louis H. Bloom, President	
Henry C. Shores, Commissioner	Aye
W. Kent Carper, Commissioner	Aye

WHEREUPON, ~~Louis H. Bloom~~ W. Kent Carper Pro Temppre, President, declared said motion duly adopted; and it is therefore ADJUDGED and ORDERED that said motion be, and the same is hereby adopted.

Louis H. Bloom, President

Henry C. Shores, Commissioner

W. Kent Carper, Commissioner

Approved By _____
County Attorney

OFFICER'S OATH

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

I, Joyce McPhail, having been duly reappointed to the Office of Chelyan Public Service District

do solemnly swear that I will support the Constitution of the United States and the Constitution of this State and that I will truly and faithfully discharge all the duties of said office, during my continuance therein, to the best of my skill and judgment, so help me, God.

Joyce McPhail
Signature

[redacted] before the undersigned, Notary Public of said county,

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
JANET C. DUFFIELD
KANAWHA COUNTY COMMISSION
P. O. BOX 3027
CHARLESTON, WV 25336
My commission expires June 5, 2011

[redacted] day of June, 20 02

Janet C. Duffield
Notary Public

OFFICER'S OATH

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

I, Jerry W. Jessie, having been duly reappointed to the office of Chelyan Public Service District

do solemnly swear that I will support the Constitution of the United States and the Constitution of this State, and that I will truly and faithfully discharge all the duties of said office, during my continuance therein, to the best of my skill and judgement, so help me, God.

Jerry W. Jessie

Subscribed and sworn to before the undersigned, Clerk of said county, this 14 day of September, 19 98.

Dyme Slamick
Deputy Clerk

SS- 232-24-5345

OFFICER'S OATH

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

I, Samuel Lamont Shelton, having been duly reappointed to the office of Commissioner of the Chelyan Public Service District, do solemnly swear that I will support the Constitution of the United States and the Constitution of this State, and that I will truly and faithfully discharge all the duties of said office, during my continuance therein, to the best of my skill and judgment, so help me, God.

Samuel L. Shelton

Subscribed and sworn to before the undersigned, ~~Clerk~~ Notary Public of the _____ of said county, this 22nd day of February, ~~19~~ 2002

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
JANET C. DUFFIELD
KANAWHA COUNTY COMMISSION
P. O. BOX 3627
CHARLESTON, WV 25336
My commission expires June 5, 2011

Janet C. Duffield, ~~Clerk~~ Notary Public

RULES OF PROCEDURE

CHELYAN PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: Chelyan Public Service District (the "District")

Section 2. The principal office of the District will be located on State Route 61, Chelyan, Kanawha County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Chelyan Public Service District.

Section 4. The fiscal year of the District shall begin the 1st day of January in each year and shall end on the following December 31.

ARTICLE II

PURPOSE

The District is organized exclusively for the purpose 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 (the "Board") of the District shall be those persons appointed by The County Commission of Kanawha 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 Board resign or otherwise become legally disqualified to serve as a member of the 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 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 Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Board of the District shall hold regular monthly meetings on the second Thursday of each month at 2:00 p.m. at the District's office or at such day, hour and location as the members shall determine from time to time. If the day stated should fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Board may be called at any time by the Chairperson or by a quorum of the Board.

Section 2. At any meeting of the Board of the District, 2 members shall constitute a quorum. Each member of the 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 special 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.

Section 4. At the regular meetings of the Board, the following shall be the order of business:

1. Roll call.
2. Reading and approval of the Minutes of the previous meeting.
3. Bills and communications.
4. Reports of the Secretary and Treasurer.
5. Reports of committees.
6. Unfinished business.
7. Adjournment.

Section 5. Pursuant to Section 3, Article 9A, Chapter 6 of the Code of West Virginia, 1931, as amended, notice of the date, time, place and agenda of all regularly scheduled meetings of the Board, and the date, time, place, purpose and agenda of all special meetings of the Board, shall be made available, in advance, to the public and the new media as follows:

A. Regular Meetings. A notice will be posted by the Secretary of the Board at the front door of the place fixed for the regular meetings of the Board concerning the date, time, place and tentative agenda for the holding of regularly scheduled meetings at least 3 days before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has occurred.

B. Special Meetings. A notice shall be posted by the Secretary of the Board at the front door of the place fixed for any special meetings of the Board at least 3 days before a special meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held except in the event of an emergency requiring immediate official action. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has occurred.

C. The form of notice for posting as to a special meeting may be generally as follows:

CHELYAN PUBLIC SERVICE DISTRICT

NOTICE OF SPECIAL MEETING

The Public Service Board of Chelyan Public Service District will meet in special session on _____, ____, at ____ _.m., prevailing time, at _____, Chelyan, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Resolution providing for the issuance of a _____ Revenue Bond, Series ____, of the District, in the principal amount of $_____ to provide funds for construction of _____ distribution facilities of the District.

2. To authorize the Chairperson and Secretary of the Board to sign such documents as may be required to accomplish the purposes set forth above.

3. [Insert description of agenda items].

_____
Secretary

Date: _____, ____

D. Notice to any news media which requests such notices or regularly attends such meetings may be given by mailing or telecopying a copy of such notice to the address or fax number furnished in writing to the District by such news media.

ARTICLE V

OFFICERS

Section 1. The officers of the Board shall be a Chairperson, Secretary and Treasurer. The Chairperson shall be elected from the members of the Board. The Secretary and Treasurer need not be members of the Board and may be the same person.

Section 2. The officers of the 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 Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected as hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairperson shall preside as Chairperson at all meetings of the 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 Chairperson is absent from any meeting, the remaining members of the Board shall select a temporary Chairperson.

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 Chairperson, 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. All resolutions shall be in writing and shall be copied in minutes of the meetings of the Board, and the voting on all questions coming before the Board shall be by roll call, and the Ayes and Nays shall be entered upon the minutes of such meeting.

Section 5. 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 voting 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 has been included in the written notice calling such meeting.

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

I, Samuel Shelton, do hereby certify that I am the duly qualified and acting Secretary of the Public Service Board of the Chelyan Public Service District.

I further certify that the above and foregoing is a true and correct copy of the Rules of Procedure of the Public Service Board of the Chelyan Public Service District, Kanawha County, West Virginia, adopted on May 29, 2002, and which remain in full force and effect with no changes, insertions, amendments or modifications having been made thereto since their date of adoption.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and affixed the seal of said Public Service District, this 29th day of May, 2002.

Samuel L. Shelton
Secretary

(SEAL)

MINUTES OF THE REGULAR MEETING OF THE CHELYAN PUBLIC SERVICE DISTRICT HELD FRIDAY JANUARY 11, 2002

ATTENDANCE:

COMMISSIONERS: Joyce McPhail, Chairperson
Samuel Shelton, Secretary
Jerry Jessie, Treasurer

MANAGER: Sam Hope

SECRETARY: Angie Garrison

GUESTS: Eugene Foster, Sharon
H. Wyatt Hanna, III, Attorney
Ashok Sanghavi, S & S Engineers, Inc.
Danny Lusk, S & S Engineers, Inc.
Mike Melton, S & S Engineers, Inc.
Todd Dingess, Smith, Cochran & Hicks
John Mottesheard, Engineering Tech. Public Service Comm.
Scott McNeely, Utility Analyst I, Public Service Commission
Ruth Ann Starks, Kelley's Creek Community Association
Linda McClure, Kelley's Creek Community Association
Tommy & Tracy Wriston, Shrewsbury
David Bostic, Kanawha County Commission

Chairperson McPhail called the Regular Monthly Meeting of the Chelyan Public Service District to order at 2:00 p. m., in the District Office of the Treatment Facility, Rt. 61, Chelyan, WV.

A Quorum was present.

MOTIONS PROPERLY PRESENTED, SECONDED AND PASSED:

Mr. Jessie moved to approve the signing of the CSX permit applications by Chairperson McPhail prior to the scheduled monthly meeting of January 11, 2002, due to the permit application filing deadline. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the signing of two separate SRF draw downs for CSX permit fees to be paid out of the Cabin Creek Construction Expense Account, one in the amount of $17,200.00 and the other one in the amount of $21,222.00 for a total amount of $38,422.00. Mr. Shelton presented the second and the motion carried.

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Mr. Jessie moved to approve the invoice submitted by H. Wyatt Hanna, III Attorney at Law in the amount of $1,336.50 to be paid out of the Cabin Creek Construction Expense Account. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the invoice submitted by Smith, Cochran & Hicks in the amount of $1,031.70 to be paid out of the Cabin Creek Construction Expense Account. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the invoice submitted by Michael A. Melton, for Phase II Rights-of-Way in the amount of $720.00 to be paid out of the Cabin Creek Construction Expense Account. Mr. Shelton presented the second and the motion carried.

Mr. Shelton moved to authorize Chairperson McPhail to sign the financial reports required by SRF as prepared by Todd Dingess, Smith, Cochran & Hicks for the months of October and November 2001. Mr. Jessie presented the second and the motion carried.

Mr. Jessie moved to approve a lump sum transfer in the amount of $10,000.00 from the Revenue Account to the Restore and Repair account, in addition to our regular monthly transfer of 2.5% of the balance of the Revenue Account. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the invoice submitted by H. Wyatt Hanna, III Attorney at Law in the amount of $562.50 for regular operations to be paid out of the Revenue Account. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the deferral of any collections actions for the Capitol, Inc. (Tommy & Tracy Wriston) sewer bill for the master water meter at the Best Mobile Home Park in the amount of $1,319.64 for 60 days from January 11, 2002 with the option of a possible extension should the need arise. Chairperson McPhail presented the second and the motion carried.

Mr. Jessie moved to approve a reimbursement in the amount of $180.00 to Sam Foster, Jr. for the fees paid to a contractor to dig to the tap, which was not found in that location as long as Mr. Foster can provide a paid receipt from the contractor. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to retain the current Board of Directors officer's position for the Board members for the 2002 term. They are as follows Chairperson, Joyce McPhail, Secretary Samuel Shelton, and Treasurer Jerry Jessie. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the minutes of the Regular Monthly Meeting held Thursday December 13, 2001 as presented. Mr. Shelton presented the second and the motion carried.

Mr. Jessie moved to approve the Expenditures for the month of December 2001 as presented. Mr. Shelton presented the second and the motion carried.

COMMUNITY CONCERNS:

MINUTES OF THE REGULAR MEETING OF THE CHELYAN PUBLIC SERVICE DISTRICT HELD FRIDAY JANUARY 11, 2002

Eugene Foster, Sr., Ronda, was present to discuss the Civil Action suit filed against Jimmy Dunn Excavating. Mr. Foster filed the suit on behalf of Jack M. Stone, the actual property owner, alleging that Jimmy Dunn Excavating had not restored the property in question back to it original state after the completion of sewer line construction in the Ronda area. Mr. Hanna stated he could not give Mr. Foster any legal advice. Mr. Foster wanted to know what Chelyan Public Service District and Jimmy Dunn were going to do about the rocks left on the property. Mr. Lusk said Jimmy Dunn had gone back and cleared out more rocks. Mr. Lusk said he did not recall the condition of the area prior to construction, but he said Jimmy Dunn did go back and clear the rocks from the surface again. The remaining rocks are beneath the surface. Mr. Lusk wanted to state for the record that after Mr. Dunn cleared the rocks the last time a flood occurred in that area and the water got up in that area. Mr. Hanna wanted to make it clear for the record that any discussion regarding this matter is deemed to be settlement negotiations and is not an admission of liability or guilt on behalf of any part especially Chelyan Public Service District. Mr. Hanna said from what he could gather from the letter Mr. Foster received from Westfield Group, insurance carrier for Jimmy Dunn Excavating, the insurance company is not going to pay the claim. Mr. Shelton said in years past a garden had always been planted in that area, but this past year only half of the garden had been planted. Mr. Jessie said if the District has attempted to do everything possible to return the property to its original condition, through the contractor then Chelyan Public Service District has no leverage against the contractor since we have already released the retainer we were holding for Jimmy Dunn Excavating. Chairperson McPhail said it was her understanding that at the time the retainer was released all complaints had been satisfied. Mr. Jessie said Chelyan Public Service District would not have released the retainer otherwise. Chairperson McPhail agreed. Mr. Foster wanted to know what would happen if he included Chelyan Public Service District in the Civil Suit. Mr. Hanna said that issue would be discussed at that time. Mr. Jessie said that in his opinion this matter should not be discussed any further until the litigation has been resolved. Mr. Hanna agreed with Mr. Jessie.

Tommy & Tracy Wriston, owner's of Best Mobile Home Park, Shrewsbury was present to discuss a delinquent sewer bill in the amount of $1,319.64. Mr. Wriston said if WV-American Water Company had completed the job as requested in June 2001 this sewer bill in the name of Capitol, Inc., which is for a master water meter for the mobile home park. Mr. Wriston, who recently bought the trailer park, said he contacted the water company and asked them to set individual water meters in this mobile home park. Due to the fact it took the water company a month and a half to do the work the master meter was in operation longer than the Wriston's intended it to be. Mr. Hanna said Chelyan Public Service District had no control over the water company. Tracy Wriston said she understood that, she just wanted Chelyan Public Service to hold off on the sewer bill for the master meter until they can get this issue resolved with the water company. Mr. Hanna said he saw no reason not to defer any collection action for the delinquent sewer bill. Chairperson McPhail said there should be a time frame on that decision. Mr. Hanna agreed. Mrs. Wriston said the only problem she has with that is she cannot get any response from the water company. Mr. Hanna suggested she file a complaint with the Public Service Commission. Mrs. Wriston said she would do that. Chairperson McPhail suggested that the Wriston's forward a copy of any and all correspondence regarding this matter to the District office. Mr. & Mrs. Wriston agreed.
Mr. Wriston said he had a few tenants who should have had their water terminated, but the water company had not terminated service. Chairperson McPhail asked Mrs. Garrison if the names of those

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HELD FRIDAY JANUARY 11, 2002

people been turned into the water company. Mrs. Garrison said they had, but the water company has not done terminations for the month of January due to the inclement weather. Mr. Jessie asked if we had security deposit for all those customers. Mrs. Garrison said not all of them have paid a security deposit and the water company has been turning on water without verification of a security deposit payment. Scott McNeely, Public Service Commission said the water company was not supposed to do that. Mrs. Garrison said she and Loretta Stapler has been trying to explain that to WV-American Water customer service representatives located in Alton, Illinois.

Ruth Ann Starks and Linda McClure, Kelley's Creek Community Association was present to discuss Kelley's Creek sewage. Ms. Starks said in the regular monthly meeting of September 13, 2001Chelyan Public Service District advised them to attend a town meeting and ask the Town of Cedar Grove to take the Kelley's Creek Community as sewer customers. Ms. Starks said the Town of Cedar Grove was not interested in doing that. Chairperson McPhail asked if Cedar Grove had given them a definite answer. Ms. Starks said the town council members have not voted on it. Ms. Starks said they had been scheduled to go before the town council along with Dave Bostic, Kanawha County Commission, but Mr. Bostic became ill prior to the meeting and they have not attended a town council meeting with Mr. Bostic. Ms. Starks spoke with Jim Aucremanne, Public Service Commission. Mr. Aucremanne said the Kelley's Creek Community Association should ask Chelyan Public Service District to forward an itemized bill to the Public Service Commission for the cost of the sewer service in the Kelley's Creek area. Mr. Hanna believed Mr. Aucremanne is under the impression this project would be considered a main line extension. Ms. Starks spoke with Kent Carper, Kanawha County Commission and he said to go ahead and do that and it would be paid for. Mr. Hanna said he originally understood the project to be an expansion of boundaries and incorporating Kelley's Creek Community as part of the District. Mr. Hanna said either way they go their service would have to be provided through Cedar Grove's sewer lines, which would require Chelyan Public Service District to modify our agreement with the Town of Cedar Grove. Mr. Hanna believes Mr. Aucremanne is not aware of the fact that Kelley's Creek is not within District boundaries. Mr. Hanna said we are not obligated to provide service outside our District. Chairperson McPhail said there were several concerns regarding this project from the beginning. Chairperson McPhail brought up another issue not discussed earlier, such as an engineering feasibility study must be performed by S & S Engineers, Inc Chairperson McPhail said there are several other things not considered such as CSX Rights-of-Way, and DOH Rights-of-Way. There also is concern regarding the past odor problem at the Lincoln Ave. pump station in Shrewsbury, the odor is obviously from the Cedar Grove line. Chairperson McPhail suggested Ms. Starks and Ms. McClure attend the next Cedar Grove town council meeting and get a definite answer from them.

OLD BUSINESS:

Mike Melton submitted the rights-of-way from Ohley Land Company, with a reversionary clause added to them. Mr. Hanna said he wanted to review them prior to Chairperson McPhail signing them. Mr. Melton said everything has been worked out with DOH. There is only one pump station right-of-way remaining, the property belongs to American Electric Power. Mr. Melton said he is having some difficulty getting the Board of Directors of American Electric Power to sign, but he expected to have that by the February meeting. Mr. Melton said he had another one that is listed in the deed books in

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the name of C. W. Kyle and Kenneth White. Mr. White does not know where to find Mr. Kyle. Mr. Kyle gave Mr. White a 99-year lease. Mr. Hanna asked if Mr. White signed it, Mr. Melton said he had. Mr. Hanna asked Mr. Melton to revise it to reflect only Mr. White's name and have him to sign that one. Mr. Melton said he was having problems with a divorced couple, the property is in both names. The husband has signed but the ex-wife refuses to sign. Mr. Melton said he would continue to work on it.

Mr. Hanna gave a status update on the Notice of Filing with the Public Service Commission. Mr. Hanna said he received a call from Katy Mallory, Infrastructure Council and he explained to her the Notice of Filing had been done, the 30 day waiting period had expired, without protests. Ms. Mallory wanted to know if an order could be out in the next 90-120 days. Mr. Hanna said he did not see any reason why it couldn't be done, however Mr. Hanna suggested Ms. Mallory contact Cecilia Jarrell, Public Service Commission to get a more accurate status update. Mr. Hanna was at the Public Service Commission this morning and asked Ms. Jarrell what the status was. Ms. Jarrell said she is waiting on the Public Service Commission staff to give their final recommendation and it would be filed. Ms. Mallory indicated she would not hold up issuing a letter to Chelyan Public Service District stating the project could proceed to bid. Chairperson McPhail reminded the Board that if Mr. Hanna or Mr. Sanghavi received the letter from Katy Mallory they do not have wait until the next regular monthly meeting to proceed to the next step.

Mr. Lusk said a letter of approval has been received from DEP for Contract 98-5, Treatment Plant. Mr. Lusk spoke with Matt Sweeney, DEP permits, he will be handling NPDS modifications and he has everything to begin processing. Mr. Lusk said if we bid the project this month Chelyan Public Service District would have the NPDS modification and the permits in hand prior to Notice to Proceed. Mr. Lusk said it is projected to advertise for pre-bids sometime around January 25, 2002 and then schedule a pre-bid conference on February 11, 2002 at the new UKEVC building (old Chelyan Elementary School) at 10:00 a.m., and a conference to review the plans at 2:00 p.m. on the same day. Mr. Lusk said if there are any addendums to the contracts S & S Engineers, Inc. takes care of everything. Mr. Hope asked Mr. Lusk about the change from four small clarifiers to two large clarifiers. Mr. Lusk said the plant was already designed with four clarifiers, however S & S Engineers, Inc. went back and made those changes as far as the basic bid and the advertisement that stated what the upgrade was going to be and it included just the two larger clarifiers, then DEP said S & S Engineers, Inc. could not do that due to the fact the plans had already been submitted showing four small clarifiers. Mr. Lusk said in order to change S & S Engineers, Inc. would have had to redesign the plans which would have caused delays. Mr. Lusk explained the base bid will include the four small clarifiers, but there would be an alternate bid that the contractors will be responsible to submit their drawings and the drawings must be stamped by a registered engineer for the design of two large clarifiers as opposed to four small clarifiers. Mr. Lusk said the bids will be compared and which ever bid is better will be the one they go with. Chairperson McPhail asked if the change from four small clarifiers to two large clarifiers could be done through a change order. Mr. Lusk said the District could do that if they wanted to take it out of the bid and then do a change order afterwards. Mr. Hanna said if the changes are to be handled that way it has to be made clear on the base bid.

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Mr. Dingess said he had spoken with Jean Gibson, Kanawha County Commission, regarding the advance draw down for the total amount of available funds. Ms. Gibson said she knew of no other way to process the requested draw down other than going through the existing process of drawing down the funds with invoices to substantiate the amounts requested. Ms. Gibson suggested the Board speak to Dan Bellew, Kanawha County Commission to see if there is a way to do the advance draw down and if there is Ms. Gibson can be told how to do that.

Mr. Hope spoke with Bob Otey, WVDEP DAQ, regarding the conveyor belt located behind our Treatment Facility. Mr. Otey suggested Mr. Hope contact Jeanie Chandler, FOA and request the first 20 pages of any and all documents pertaining to the belt line. Mr. Hope faxed a request to Ms. Chandler requesting the first 20 pages, in order to proceed with the complaint against Mountain View Coal Company and Eastern Coal. Mr. Jessie asked if we were still trying to obtain access to our right of way. Mr. Hope said yes we are, but nothing has been done so far. Mr. Hope has taken pictures of the amount of coal dust accumulated on our walkways (pictures are on file).

Chairperson McPhail asked for an update on the two non-sufficient funds checks that were taken to Magistrate Court. Mr. Hope said Christopher Foster and David Burford have 10 days to pick up the bad checks. If the checks have not been picked by the expiration day a warrant will be issued for their arrest. Mr. Hope said the 10-day period has not expired.

Chairperson McPhail said Rekha Patel is scheduled to be here on Thursday January 17, 2002 to assist the office personnel with a General Ledger handbook and other issues relating to the General Ledger.

NEW BUSINESS:

Chairperson McPhail spoke with Danny Lusk concerning the District's liability insurance. Chairperson McPhail said CSX railroad has requested the District carry $1 million insurance and has requested Chelyan Public Service District provide them with a copy of the policy. Chairperson McPhail said Chelyan Public Service District has only the one $1 million policy to cover the entire plant. Bill Dingess, WV State Board of Risk Insurance, said Chelyan Public Service could not designate this coverage to CSX or anyone else. Chairperson McPhail inquired into the cost of additional insurance coverage. Mr. Jessie said Chelyan Public Service District should definitely have more coverage. Mr. Hanna recommended Chelyan Public Service District look into Directors and Commissioners insurance coverage as well. Chairperson McPhail, Jerry Jessie and Mr. Shelton agreed.

Chairperson McPhail wanted to know the total amount of the CSX railroad permits. Todd Dingess said the amount of the first set of permits was $17,200.00 and the amount of the second set of permits was $21,222.00 for a total amount of $38,322.00. Chairperson McPhail said the original request for CSX railroad permit fees totaled $157,000.00.

Chairperson McPhail said she would like to insure a safer construction environment than it had been on Phase I. Mr. Melton said we could not tell the contractors what to do regarding safety issues. Mr.

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Melton said the only thing he has been told is to call OSHA, and request an inspector visit the job site if he feels any of the employees on that site are in danger of being injured.

Todd Dingess presented the invoices submitted for payment for Phase II of the Cabin Creek Extension Project. They are as follows:

H. Wyatt Hanna, III Attorney at Law	$1,336.50
Smith, Cochran & Hicks	$1,031.70
Michael A. Melton	$ 720.00
Total:	$3,088.20

Mr. Hope said Sam Foster, Jr. is experiencing some difficulty locating the tap for one of his properties in the Miami area. Mr. Hope & George Epperley has been to this site several times to help him locate the tap. Mr. Melton said he has been there also, and says Mr. Foster is not digging in the right place. Mr. Foster is requesting a reimbursement in the amount of $180.00 for private contractor fees due to the fact the tap has not been found in the areas where he was told the tap was located. Mr. Hanna said the District has an obligation to locate Mr. Foster's tap. Mr. Hanna said the District should reimburse Mr. Foster, provided he has proper verification of the cost of the contractor. Chairperson McPhail agreed. Mr. Jessie suggested the maintenance personnel locate Mr. Foster's tap for him. Mr. Melton suggested they go down in the manhole, located approximately 72 feet away, and with the use of a flashlight look to see if a tap was actually left there. Mr. Jessie wanted to know the cost of getting a camera in there to see if the tap was there. Mr. Melton said they usually charge by the foot. Chairperson McPhail asked Mr. Melton if he would be willing to come and assist Mr. Hope and Mr. Epperley with the tap location. Mr. Melton said he would be here to help.

Chairperson McPhail said she has noticed an improvement on the minutes typed by Angie Garrison. Mr. Jessie agreed.

Mr. Jessie suggested we make some inquires into different Utility Billing programs. Chairperson McPhail said if no one had any objections she would make some inquires Mr. Jessie and Mr. Shelton said they had no problem with that.

Mr. Hope said DOH is planning to widen the first bridge at Witcher Creek and the temporary bridge will be built over our sewer lines. Mr. Hope asked Mr. Hanna to draft a letter stating if there are any damages done to the sewer lines in that area that the DOH will take full responsibility for the maintenance and the cost of any and all repairs. Mr. Hanna said he would do that.

Angie Garrison said a new Fire King filing cabinet had been purchased at a cost of $1,240.00 and it has been delivered. Mr. Jessie asked if we were planning to purchase another one. Mrs. Garrison said it would be purchased sometime in the near future.

Mr. Jessie wanted to state of the record the he appreciated the work of the office personnel. Chairperson McPhail agreed.

MINUTES OF THE
REGULAR MEETING OF THE
CHELYAN PUBLIC SERVICE DISTRICT
HELD FRIDAY JANUARY 11, 2002

Chairperson McPhail moved to adjourn the meeting at 5:15 p. m. Mr. Jessie presented the second and the motion carried.

APPROVED: Samuel L. Shelton

DATE: January 11, 2002