

**LAVALETTE PUBLIC SERVICE DISTRICT
WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

DATE OF CLOSING: AUGUST 28, 2007

BONDS TRANSCRIPT

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LVALETTE PUBLIC SERVICE DISTRICT

**Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)**

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LAVALETTE PUBLIC SERVICE DISTRICT

**WATERWORKS REVENUE DESIGN BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND RESOLUTION

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LVALETTE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LVALETTE PUBLIC SERVICE DISTRICT AND THE FINANCING A PORTION OF THE COSTS, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Lavalette Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Wayne County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed certain improvements and extensions to the existing public waterworks facilities of the Issuer (the design of the aforementioned improvements and extensions is herein referred to as the "Project"). The existing public waterworks facilities of the Issuer and any further improvements or extensions thereto, including those contemplated by the Project, are herein called the "System".

C. In order to complete the Project, the Issuer has entered into the Contract with the Consulting Engineer for preconstruction engineering services. The Issuer intends to temporarily finance a portion of the costs of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$200,000 (the "Series 2007 A Bonds"), to temporarily finance a portion of the costs of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of interest, if any, upon the Series 2007 A Bonds prior to and during the Project and for a period not exceeding 6 months after completion of the Project; amounts which may be deposited in the Reserve Account (as hereinafter defined); all engineering fees for the Project and legal expenses related to the issuance of the Bonds; the fees and expenses of the Authority, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds; and such other expenses as may be necessary or incidental to the financing herein authorized, the undertaking of the Project, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. There are outstanding obligations of the Issuer which will rank senior and prior to the Series 2007 A Bonds as to liens, pledge and source of and security for

payment, being the Issuer's (i) Water Revenue Bonds, Series 1972 (United States Department of Agriculture), dated July 17, 1973, issued in the original aggregate principal amount of \$370,000 (the "Series 1972 Bonds"); (ii) Water Revenue Bonds, Series 2004 A (United Bank, Inc.), dated April 23, 2004, issued in the original aggregate principal amount of \$533,721 (the "Series 2004 A Bonds"); (iii) Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$2,000,000 (the "Series 2006 A Bonds"); (iv) Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$713,000 (the "Series 2006 B Bonds"); and (v) Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), dated February 23, 2006, issued in the original aggregate principal amount of \$1,918,050 (the "Series 2006 C Bonds") (collectively, the "Prior Bonds").

The Series 2007 A Bonds shall be issued junior and subordinate to the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain the written consent of the Registered Owner of the Prior Bonds to the issuance of the Series 2007 A Bonds junior and subordinate to the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolution.

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

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

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements

herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 2007 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2007 A Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

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

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

"Chairperson" means the Chairperson of the Governing Body of the Issuer or any temporary Acting Chairperson duly elected by the Governing body.

"Closing Date" means the date upon which there is an exchange of the Series 2007 A Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 2007 A Bonds from the Authority.

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

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

"Consulting Engineers" means E.L. Robinson Engineering Company, Cross Lanes, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended.

"Contract" means the contract for preconstruction engineering services for the Project by and between the Issuer and the Consulting Engineers.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of the Project.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any successor thereto.

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

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

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

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

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

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

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

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

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

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

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

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered, except (i) any Bond 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 X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

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

"Prior Bonds" means the Series 1972 Bonds, Series 2004 A Bonds, Series 2006 A Bonds, Series 2006 B Bonds, and Series 2006 C Bonds, described in Section 1.02F hereof.

"Prior Resolution" means the resolutions of the Issuer, authorizing the Prior Bonds.

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

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

(a) Government Obligations;

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

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

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National

Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

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

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

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

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

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

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

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

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

"RUS Bonds" means the Series 1972 Bonds, Series 2006 A Bonds, and the Series 2006 B Bonds.

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

"Series 1972 Bonds" means the Issuer's Water Revenue Bonds, Series 1972 (United States Department of Agriculture) dated July 17, 1973 issued in the original aggregate principal amount of \$370,000.

"Series 2004 A Bonds" means the Issuer's Water Revenue Bonds, Series 2004 A (United Bank, Inc.), dated April 23, 2004, issued in the original aggregate principal amount of \$533,721.

"Series 2006 A Bonds" means the Issuer's Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$2,000,000.

"Series 2006 B Bonds" means the Issuer's Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$713,000.

"Series 2006 C Bonds" means the Issuer's Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), dated February 23, 2006, issued in the original aggregate principal amount of \$1,918,050.

"Series 2007 A Bonds" means the not more than \$200,000 in aggregate principal amount of Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

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

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

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

"State" means the State of West Virginia.

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

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

"System" means the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all additions, extensions, improvements, properties or other facilities, including those contemplated by the Project, at any time acquired or constructed for the waterworks system of the Issuer.

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

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

Words importing singular number include the plural number in each case and vice versa; words importing the masculine gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

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.

ARTICLE II

AUTHORIZATION OF THE DESIGN OF THE PROJECT AND APPROVAL OF THE LOAN AGREEMENT

Section 2.01. Authorization of the Design of the Project. There is hereby authorized and ordered the undertaking of the Project, at an estimated cost of \$370,000. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer is hereby authorized and directed to enter into the Contract with the Consulting Engineers.

The cost of the Project is estimated to be \$370,000, of which \$200,000 will be obtained from proceeds of the Series 2007 A Bonds, and \$170,000 shall be deferred by the Consulting Engineer.

Section 2.02. Approval of Loan Agreement. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated in this Resolution. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2007 A Bonds, funding a reserve account for the Series 2007 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2007 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 2007 A Bonds of the Issuer. The Series 2007 A Bonds shall be issued as a single bond, designated "Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)," in the principal amount of not more than \$200,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2007 A Bonds remaining after funding of the Series 2007 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 2007 A Bonds, if any, shall be deposited in or credited to the Series 2007 A Bonds Project Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

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

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

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Series 2007 A Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest, if any, from such date.

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

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

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

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

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A 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 Bondholder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No bondholder of the Series 2007 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest, if any, thereon. The Issuer has no taxing authority.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service of the Series 2007 A Bonds

shall be secured by a second lien on the Net Revenues derived from the System, junior and subordinate to the lien on such Net Revenues in favor of the Registered Owner 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 2007 A Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

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

- A. If other than the Authority, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement; and
- E. The unqualified approving opinion of bond counsel on the Series 2007 A Bonds.

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

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$200,000

KNOW ALL MEN BY THESE PRESENTS: That LAVALETTE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 2 _____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with no interest.

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

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

This Bond is issued (i) to pay a portion of the costs of design of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the design of the aforementioned improvements and extensions is herein referred to as the "Project", and the existing public waterworks system of the Issuer, together with any further additions, betterments and improvements thereto, including those contemplated by the

Project, are collectively referred to as the "System"); and (ii) to pay costs of issuance of the Bonds of this Series (the "Bonds") 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 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 2007, and a Supplemental Resolution duly adopted by the Issuer on _____, 2007 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (I) WATER REVENUE BONDS, SERIES 1972 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 17, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$370,000 (THE "SERIES 1972 BONDS"); (II) WATER REVENUE BONDS, SERIES 2004 A (UNITED BANK, INC.), DATED APRIL 23, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$533,721 (THE "SERIES 2004 A BONDS"); (III) WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 2006 A BONDS"); (IV) WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$713,000 (THE "SERIES 2006 B BONDS"); AND (V) WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,918,050 (THE "SERIES 2006 C BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, junior and subordinate with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose.

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the

Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

Under the Act, this Bond is exempt from taxation by the State of West Virginia and 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 at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes

of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, LAVALETTE 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 _____
, 2007 .

[SEAL]

Chairperson

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: _____, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond
on the books kept for registration of the within Bond of the said Issuer with full power of
substitution in the premises.

Dated: _____, _____.

In the presence of:

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund (established by the Prior Resolution and continued hereby);
- (2) Renewal and Replacement Fund (established by the Prior Resolution and continued hereby); and
- (3) Series 2007 A Bonds Project Fund.

Section 5.02. Establishment of funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by Prior Resolution) with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer and from each other.

- (1) Series 1972 Bonds Reserve Account (established by Prior Resolution);
- (2) Series 2004 A Bonds Sinking Fund (established by Prior Resolution);
- (3) Series 2004 A Bonds Reserve Account (established by Prior Resolution);
- (4) Series 2006 A Bonds Reserve Account (established by Prior Resolution);
- (5) Series 2006 B Bonds Reserve Account (established by Prior Resolution)
- (6) Series 2006 C Bonds Sinking Fund (established by Prior Resolution)
- (7) Series 2006 C Bonds Reserve Account (established by Prior Resolution)

(8) Series 2007 A Bonds Sinking Fund; and

(9) Series 2007 A Bonds Reserve Account.

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

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

(2) The Issuer shall next, on or before the due date thereof, transfer from the Revenue Fund and simultaneously remit to (i) the National Finance Office the amounts required by the Prior Resolution to pay the interest of the RUS Bonds; and (ii) United Bank, Inc. the amount required by the Series 2004 A Bonds Resolution to pay the interest of the Series 2004 A Bonds.

(3) The Issuer shall next, each month transfer from the Revenue Fund and simultaneously (i) on or before the due date thereof remit to the National Finance Office the amounts required by Prior Resolution to pay the principal of the RUS Bonds; (ii) remit to United Bank, Inc. the amount required by the Series 2004 A Bonds Resolution to pay the principal of the Series 2004 A Bonds; and (iii) remit to the Commission the amount required by Prior Resolution to pay the principal of the Series 2006 C Bonds.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the West Virginia Municipal Bond Commission the amount required by the Prior Resolution to be deposited in the respective Reserve Accounts for the Prior Bonds.

(5) The Issuer shall next, on the first day of each month, so long as the Series 2007 A Bonds are outstanding, transfer from the Revenue Fund to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account.

All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, 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.

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

(7) The Issuer shall next remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2007 A Bonds, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement, until the amount in the Series 2007 A Bonds Reserve Account equals the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement.

(8) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be

used to prepay installments of the Bonds or for any lawful purpose of the System.

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

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

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

As and when additional Bonds ranking on a parity with the Series 2007 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

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

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a junior and subordinate basis, with respect to the Prior Bonds.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

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

The Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be used solely and only for, and is hereby pledged for, the purpose of servicing the Series 2007 A Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

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

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement for the Series 2007 A Bonds, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

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

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

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts

herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

ARTICLE VI

BOND PROCEEDS; DISBURSEMENTS

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

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

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

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

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

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

Except as provided in Section 6.01 hereof, disbursements from the Series 2007 A Bonds Project Fund (except for the costs of issuance of the Series 2007 A Bonds which shall be made upon request of the Issuer) shall be made only after submission to, and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

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

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

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

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

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not, in any event, be nor constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Registered Owner of the Series 2007 A Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2007 A Bonds or the interest thereon.

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

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered October 12, 2005, in Case No. 05-0775-PWD-CN, and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolution. Additionally, so long as the

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

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amount required to be paid into said fund by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Registered Owner of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Registered Owner of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

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

Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2007 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2007 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 2007 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2007 A Bonds pursuant to this Bond Legislation, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided (unless less restrictive than the provisions of the Prior Resolution).

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

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

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

mature and become due in any succeeding Fiscal Year for principal of and interest, if any, on the following:

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

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

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

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

this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2007 A Bonds.

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

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

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation or maintenance of the System at all reasonable times following completion of the Project.

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 Bondholder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Registered Owner of the Series 2007 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2007 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Prior to the issuance of the Series 2007 A Bonds, equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2007 A Bonds Reserve Account and the reserve accounts for obligations on a parity with the Series 2007 A Bonds, including the Prior Bonds, are funded at least at the requirement

therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2007 A Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

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

Section 7.11. Operating Personnel. The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of the System until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

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

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR.

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

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

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

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

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

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

Section 7.18. [RESERVED]

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

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

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

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

Section 7.22. Contracts; Public Releases. A. If not already accomplished, the Issuer shall, simultaneously with the delivery of the Series 2007 A Bonds or immediately thereafter, enter into a contract with the Consulting Engineer for the immediate undertaking of the Project.

B. The Issuer 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 ground breaking or dedication for the immediate undertaking of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

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

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

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

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

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

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

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

Section 9.03. Appointment of Receiver. Any Registered Owner of a Series 2007 A Bond may, by proper legal action, compel the performance of the duties of

the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Series 2007 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 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 Series 2007 A Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

Whenever all that is due upon the Series 2007 A Bonds and interest thereon, if any, and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Series 2007 A Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Registered Owners of the Series 2007 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2007 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

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

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2007 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

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

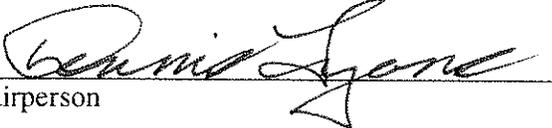
Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

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

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the 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 adoption.

Adopted this 21st day of August, 2007.


Chairperson

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of LAVALETTE PUBLIC SERVICE DISTRICT on the 21st day of August, 2007.

Dated: August 28, 2007.

[SEAL]


Secretary

06.20.07
509380.00004

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF LAVALETTE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Lavalette Public Service District (the "Issuer") has duly and officially adopted a bond resolution, effective August 21, 2007 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LAVALETTE PUBLIC SERVICE DISTRICT AND THE FINANCING A PORTION OF THE COSTS, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE

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

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

WHEREAS, the Resolution provides for the issuance of the Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007 A Bonds") of the Issuer, in the aggregate principal amount not to exceed \$200,000, and has authorized the execution and delivery of the loan agreement relating to the Series 2007 A Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Series 2007 A Bonds should be established by a supplemental resolution pertaining to the Series 2007 A Bonds; and that other matters relating to the Series 2007 A Bonds be herein provided for;

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

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

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

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$200,000. The Series 2007 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2028, and shall bear interest at the rate of 0.0% per annum. The principal of and interest on the Series 2007 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing on June 1, 2008, and to and including March 1, 2028, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2007 A Bonds. The Series 2007 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the 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 2007 A Bonds.

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

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

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

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

Section 6. The Issuer does hereby appoint and designate United Bank, Inc., Huntington, West Virginia, to serve as Depository Bank under the Resolution.

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

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

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

Section 10. The Chairperson and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2007 A Bonds to be issued hereby and by the Resolution approved and provided for, to the end that the Series 2007 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about August 28, 2007.

Section 11. The completion of Project and the financing thereof with proceeds of the Series 2007 A Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account shall be invested by the Commission in the West Virginia Board of Treasury Investments.

Section 13. The Issuer hereby approves and accepts the Contract between the Issuer and Consulting Engineers for the preconstruction engineering services for the Project. The Chairperson is hereby authorized and directed to execute and deliver all such contracts.

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

Adopted this 21st day of August, 2007.

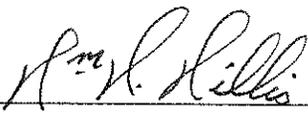

Chairperson

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of LAVALETTE PUBLIC SERVICE DISTRICT on the 21st day of August, 2007.

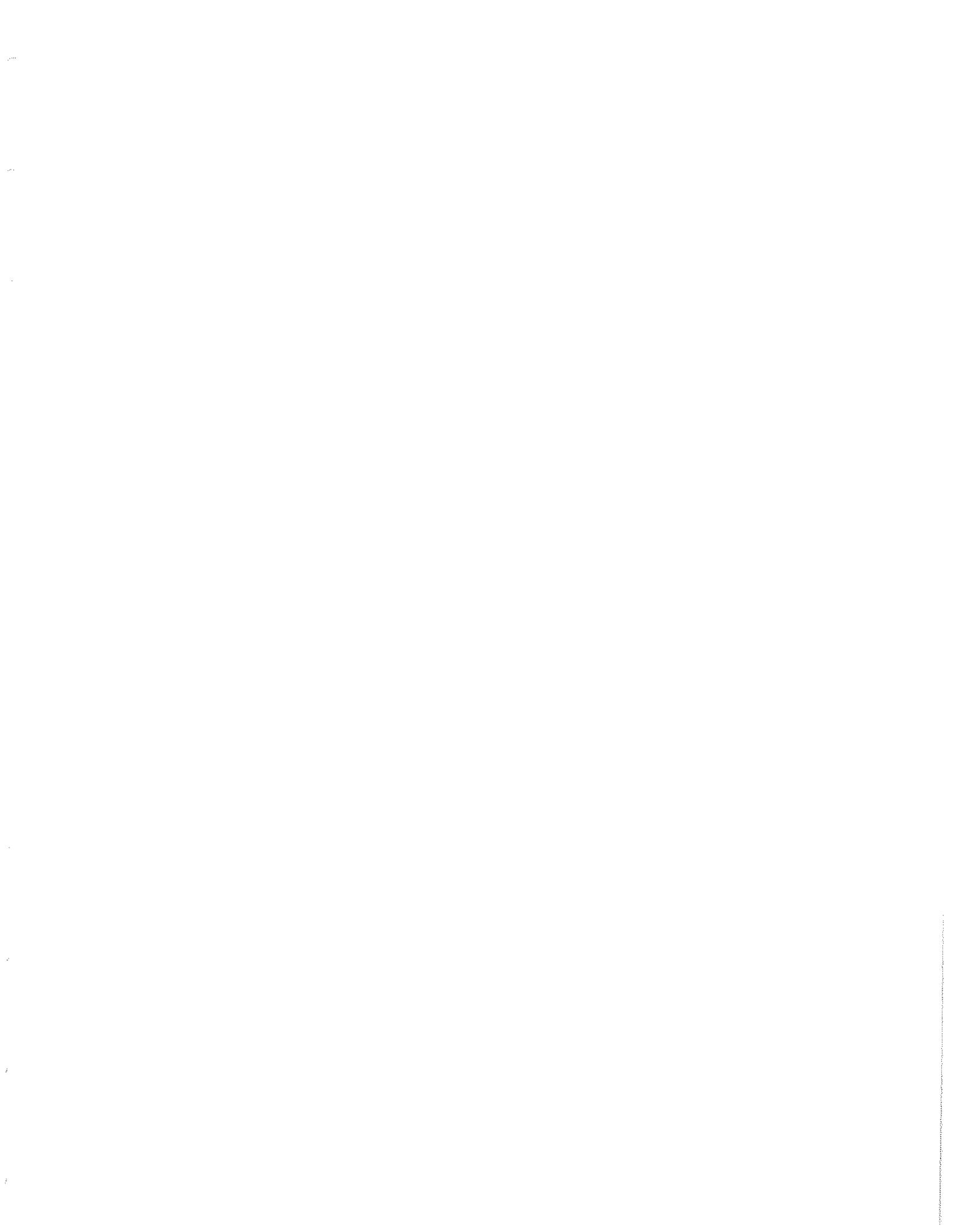
Dated: August 28, 2007

[SEAL]



Secretary

509380.00004



IC/DL-1
(09/01/05)

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").

LAVALETTE PUBLIC SERVICE DISTRICT
(Governmental Agency)

WITNESSETH:

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 planning, design, acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, pursuant to the Act, the cost of a project includes the cost of preliminary design and analysis, preparation of plans and specifications, and other engineering services;

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 enter into contracts for engineering services and to finance the cost of such engineering services by borrowing money to be evidenced by bonds, notes or other negotiable instruments (hereinafter referred to as the "Bonds") issued by the Governmental Agency;

licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, and any qualified successor thereto.

1.5 “Contract” means the contract for preconstruction engineering services by and between the Governmental Agency and the Consulting Engineers, and, as necessary, approved by the Public Service Commission.

1.6 “Engineering Design Advance Assistance Funding Program” means the Council’s program whereby loans may be made to qualified Governmental Agencies for preconstruction engineering services.

1.7 “Infrastructure Fund” means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.8 “Loan” means the loan to be made by the Authority to the Governmental Agency through the purchase of the Bonds pursuant to this Loan Agreement.

1.9 “Local Act” means the resolution, ordinance or other official action of the Governmental Agency required by Section 4.1 hereof, authorizing the issuance of the Bonds.

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

1.11 “Project” means the proposed facilities the Governmental Agency intends to construct for which the preconstruction engineering services are being contracted.

1.12 “Surplus Revenues” means either gross or net revenues, if any, derived from the System and not required to be set aside and held for the payment of or security for any outstanding bonds or notes of the Governmental Agency, including any reserve or depreciation accounts.

1.13 “System” means the facilities owned or to be owned by the Governmental Agency, of which the Project will constitute all or a part thereof, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE III

Conditions to Loan; Issuance of 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 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 Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC"), as necessary, to enter into the Contract and to borrow funds from the Authority under the terms and conditions of this Loan Agreement, with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(d) The Governmental Agency shall have procured the subject engineering services in accordance with Chapter 5G, Article 1 of the Code of West Virginia.

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

(f) The net proceeds of the Bonds, together with all moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, in addition to Surplus Revenues of the System, if

3.6 The Governmental Agency shall prepay the Bonds from the proceeds of any permanent financing it obtains to acquire and construct the Project.

ARTICLE IV

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 Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted or adopted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) The Governmental Agency hereby pledges the following sources of funds as security for the Bonds:

(i) Proceeds of any grants (other than Infrastructure Fund grants) received by the Governmental Agency for the System,

(ii) Proceeds of any revenue bonds, refunding bonds or other obligations of the Governmental Agency, issued subsequent to the issuance of the Bonds, and

(iii) Surplus Revenues of the System subject to the lien on said Surplus Revenues established for any debt previously issued by the Governmental Agency.

In the event Surplus Revenues are available and pledged for the payment of the Bonds, the revenues generated from the operation of the System will be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System,

(ii) for other legal purposes of the System, including payment of debt service on the Bonds and all other outstanding obligations of the Governmental Agency and meeting and maintaining all required reserve accounts and renewal and replacement, or similar accounts, and

(vi) That the proceeds of the Bonds must be deposited in a bonds project 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 Bonds shall have a lien until such proceeds are applied to the payment of the costs of the Contract;

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

(viii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code"), which exception shall be set forth in an opinion of bond counsel, or, at the option of the Authority, the loan is not tax-exempt, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations or to the effect that no rebate is payable, and, at any time, any additional information requested by the Authority;

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

(x) That the Governmental Agency 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, and

(xi) That the Governmental Agency shall not issue any bonds, notes or other obligations payable from the revenues of the System unless it has received the written consent of the Authority and the Council.

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 and that the final total cost of the Project, the sources and uses of funds and the cost of financing are as set forth in Schedule B, as attached hereto as Appendix B. All legal matters incident to the authorization, issuance, sale and delivery of the Bonds shall be approved without qualification by recognized bond

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 costs of the Contract 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 Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority 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 this Loan Agreement.

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Code, if applicable, 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 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 90 days prior written notice of the issuance by it of any other obligations to be used to pay costs of the Contract or proposed Project, payable from the revenues of the System or from any grants for the Contract or Project or otherwise related to the Contract, the Project or the System.

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Bonds to the Authority;
- (ii) termination by the Authority pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest, if any, on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

EXHIBIT A

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 (i) the authorization of 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 bonds of the Governmental Agency, dated _____, _____ (the “Bonds”), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are in the principal amount of \$_____, issued in the form of one bond, fully registered as to principal to the Authority, with no interest, and the entire outstanding principal of the Bonds and an Administrative Fee of 3% shall be payable on _____, _____, as set forth in Schedule X incorporated in and made a part of the Bonds.

The Bonds are issued for the purposes of financing a portion of preliminary engineering and design costs for certain _____ (the “Project”) and paying certain issuance and other costs in connection therewith.

6. [If required, the 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 Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.]

7. The Bonds and the interest thereon are, by the Local Statute, exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$200,000
Purchase Price of Bonds	\$200,000

The Bonds shall bear no interest. The principal and interest on the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing on June 1, 2008, and maturing on March 1, 2028.

The Governmental Agency may prepay the Bonds in part or in whole at any time at the price of par but only with the Council's written consent. The Governmental Agency shall prepay the Bonds from the proceeds of any permanent financing it obtains to acquire and construct the Project. 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 or senior to the Bonds, which written request must be filed at least 60 days prior to the intended date of issuance.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal and such Bonds shall grant the Authority a junior lien on the Net Revenues of the System. The Bonds are issued junior and subordinate to the following obligations of the Governmental Agency:

- (i) Lavalette Public Service District Water Revenue Bonds, Series 1972 (United States Department of Agriculture), dated July 17, 1973, issued in the original principal amount of \$370,000;
- (ii) Lavalette Public Service District Water Revenue Bonds, Series 2004 A (United Bank, Inc.), dated April 23, 2004, issued in the original principal amount of \$533,721;
- (iii) Lavalette Public Service District Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated February 23, 2006, issued in the original principal amount of \$2,000,000;
- (iv) Lavalette Public Service District Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated February 23, 2006, issued in the original principal amount of \$713,000; and

SCHEDULE A

\$200,000

Lavalette Public Service District

0% Interest Rate; 20 Years

Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	2,500.00	-	2,500.00
09/01/2008	2,500.00	-	2,500.00
12/01/2008	2,500.00	-	2,500.00
03/01/2009	2,500.00	-	2,500.00
06/01/2009	2,500.00	-	2,500.00
09/01/2009	2,500.00	-	2,500.00
12/01/2009	2,500.00	-	2,500.00
03/01/2010	2,500.00	-	2,500.00
06/01/2010	2,500.00	-	2,500.00
09/01/2010	2,500.00	-	2,500.00
12/01/2010	2,500.00	-	2,500.00
03/01/2011	2,500.00	-	2,500.00
06/01/2011	2,500.00	-	2,500.00
09/01/2011	2,500.00	-	2,500.00
12/01/2011	2,500.00	-	2,500.00
03/01/2012	2,500.00	-	2,500.00
06/01/2012	2,500.00	-	2,500.00
09/01/2012	2,500.00	-	2,500.00
12/01/2012	2,500.00	-	2,500.00
03/01/2013	2,500.00	-	2,500.00
06/01/2013	2,500.00	-	2,500.00
09/01/2013	2,500.00	-	2,500.00
12/01/2013	2,500.00	-	2,500.00
03/01/2014	2,500.00	-	2,500.00
06/01/2014	2,500.00	-	2,500.00
09/01/2014	2,500.00	-	2,500.00
12/01/2014	2,500.00	-	2,500.00
03/01/2015	2,500.00	-	2,500.00
06/01/2015	2,500.00	-	2,500.00
09/01/2015	2,500.00	-	2,500.00
12/01/2015	2,500.00	-	2,500.00
03/01/2016	2,500.00	-	2,500.00
06/01/2016	2,500.00	-	2,500.00
09/01/2016	2,500.00	-	2,500.00
12/01/2016	2,500.00	-	2,500.00
03/01/2017	2,500.00	-	2,500.00
06/01/2017	2,500.00	-	2,500.00
09/01/2017	2,500.00	-	2,500.00
12/01/2017	2,500.00	-	2,500.00
03/01/2018	2,500.00	-	2,500.00
06/01/2018	2,500.00	-	2,500.00

SCHEDULE Z

This loan bears no interest therefore Section 4.5 does not apply.

**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 23rd day of May, 2007.

CASE NO. 07-0532-PWD-PC

LAVALETTE PUBLIC SERVICE DISTRICT,
a public utility, Lavalette, Wayne County.

Petition for consent and approval to accept a design loan from West Virginia Infrastructure and Development Council to finance preconstruction engineering services.

COMMISSION ORDER

FINDINGS OF FACT

1. Lavalette Public Service District filed a petition, pursuant to *West Virginia Code* §§ 16-13A-24 and 16-13A-25, for consent and approval to accept a loan from the West Virginia Infrastructure and Development Council in the amount of \$200,000 at 0% interest for a term of 20 years.
2. Commission Staff recommends the utility's petition be granted.

CONCLUSION OF LAW

Pursuant to *West Virginia Code* §§ 16-13A-24 and 16-13A-25, it is reasonable for the Commission to grant its prior consent and approval for the utility to borrow the funds.

ORDER

IT IS THEREFORE ORDERED that the Commission grants its prior consent for the Lavalette Public Service District to accept a \$200,000 loan at 0% interest for a term of 20 years from the West Virginia Infrastructure and Development Council.

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

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

A True Copy, Teste:


Sandra Squire
Executive Secretary

LHG/s
070532c.wpd

PSC Rate Order

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTONEntered: October 12, 2005**FINAL**11-1-05

CASE NO. 05-0775-PWD-CN

LAVALETTE PUBLIC SERVICE DISTRICT,
a public utility, Lavalette,
Wayne County.

Application for CON to construct, operate and maintain an extension to its water line along US Rt 52 just south of Pritchard to just north of the intersection of Rts 52/37 at the end of the existing Fort Gay system and all intersection county routes.

RECOMMENDED DECISION

On May 26, 2005, the Lavalette Public Service District (Utility) filed an application for a certificate of convenience and necessity to construct various water line extensions known as the "US Route 52 North Project." The project will provide water service to approximately 260 customers. The project is estimated to cost \$5,831,050. The Utility is seeking a rate increase of approximately 11% related to the project. The project funding consists of a grant from the West Virginia Infrastructure and Jobs Development Council (IJDC) in the amount of \$1,200,000; a loan from IJDC in the amount of \$1,918,050; and loans from the Rural Utilities Service in the amount of \$2,713,000.

On May 27, 2005, the Commission ordered the Utility to publish notice of its application.

On June 30, 2005, the Utility filed publication affidavits demonstrating that the notice of filing was properly published in newspapers of general circulation in both Wayne and Cabell Counties.

There have been no protests filed regarding the project.

On July 13, 2005, the Commission referred the matter. The Commission required a decision on or before December 23, 2005.

On August 25, 2005, Staff filed a Memorandum recommending approval of the project. Staff did not address the issue of the proposed water purchase agreement between the Utility and the City of Kenova.

By Recommended Decision issued September 8, 2005, the project was approved and the Staff-recommended rates were adopted.

On September 23, 2005, the Utility filed exceptions. The Utility indicated that it had met with Staff and had developed rates which were slightly higher than those earlier recommended by Staff. It also sought the approval of its purchase agreement with Kenova. Attached to the exceptions was a settlement agreement which was entered into with Staff which agreed to the higher rates and recommended approval of the purchase agreement.

JAM

FINDINGS OF FACT

1. The project will provide water service to 260 new residential and small commercial customers in an area along and adjacent to Rt 52 and its intersecting county routes. (See Staff recommendation filed August 25, 2005).
2. The project includes one new booster station and a new 108,000 gallon storage tank. (Id.).
3. The plans and specifications for the project were in substantial compliance with the Commission's rules. (Id.).
4. The West Virginia Bureau of Public Health Environmental Engineering Division issued a permit for the project. (Id.).
5. Residents of the area currently suffer from poor water quality, with the water often contaminated with high levels of sulphur, iron and manganese. (Id.).
6. Residents of the area often have a limited quantity of water. (Id.).
7. Many of the wells in the area are contaminated by viruses, cryptosporidium and various common bacteria, including fecal coliform. (Id.).
8. The Utility has 248 signed user agreements out of the potential 260 customers. (Id.).
9. The City of Kenova has adequate capacity and will supply water to the Utility for this project. (Id.).
10. The construction cost per new customer is approximately \$18,800, which Staff views as high by historic standards, but not unreasonable. (Id.).
11. Staff recommends that the certificate be contingent upon the Utility receiving all necessary federal, state and local permits. (Id.).
12. Project funding includes an IJDC loan in the amount of \$1,918,050 for 40 years at an interest rate of 0%; an IJDC grant in the amount of \$1,200,000; and two RUS loans totaling \$2,713,000 for the term of 40 years at an interest rate not to exceed 5%. (Id.).

13. The Utility entered into an agreement with the City of Kenova to purchase water not exceeding 3,262,500 gallons a month at \$1.56 per thousand at 70 psi. (Exhibit 6 of application).

14. Staff recommends that the Commission approve the purchase agreement. (Joint Stipulation filed with exceptions on September 23, 2005).

CONCLUSIONS OF LAW

1. Public convenience and necessity require the project.
2. The Utility's proposed financing of the project is reasonable and should be approved.
3. The Utility's application for a certificate of convenience and necessity should be granted contingent upon receipt of all necessary federal, state and local permits.
4. The Utility should be required to seek Commission approval should the project's scope or proposed financing change for any reasons.
5. The rates agreed to by the parties and filed in the Joint Stipulation for use after the construction of the project are reasonable, just, based primarily on the cost of providing service and should be approved for use by the Utility.
6. The water purchase agreement between the Utility and the City of Kenova filed as Exhibit 6 of the application should be approved by the Commission.

ORDER

IT IS, THEREFORE, ORDERED that the application filed by the Lavalette Public Service District, on May 26, 2005, for a certificate of convenience and necessity to construct a water line extension be, and hereby is, granted, contingent upon the receipt of all necessary federal, state and local permits. The Utility should file copies of these permits and approvals with the Commission immediately upon the receipt of such documents. The Utility should not begin construction until all permits and approvals have been issued.

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

IT IS FURTHER ORDERED that the proposed financing for the project, consisting of a grant from the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,200,000; a loan from the IJDC in the amount of \$1,918,050 for 40 years at an interest rate of 0%; and two Rural Utilities Service loans totaling \$2,713,000 for 40 years at an interest rate not to exceed 5%, be, and hereby is, approved.

IT IS FURTHER ORDERED that the Lavalette Public Service District petition the Commission to reopen the proceeding should the cost, scope or financing of the project change for any reason.

IT IS FURTHER ORDERED that the Lavalette Public Service District submit a certified copy of bid tabulations for all contract bids as soon as they are available. The Utility shall also submit a copy of a certificate of substantial completion issued for each construction contract associated with the project as soon as they are available.

IT IS FURTHER ORDERED that the rates attached as Appendix A be, and hereby are, approved for use by the Utility upon substantial completion of the project. The Utility shall file with the Commission a proper tariff and five (5) copies within thirty (30) days from the date of substantial completion.

IT IS FURTHER ORDERED that the water purchase agreement between the Utility and the City of Kenova filed as Exhibit 6 of the application be, and hereby is, approved by the Commission without approving any specific term or condition.

IT IS FURTHER ORDERED that the "Joint Stipulation and Agreement for Settlement" filed by the parties on September 23, 2005, be, and hereby is, approved.

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

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary 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 the exceptions.

If no exceptions are filed, this order shall become the order of the Commission, without further action, five (5) days following the expiration of the fifteen (15) day time period, unless it is ordered stayed 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 the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Keith A. George
Administrative Law Judge

KAG:s
050775aa.wpd

LAVALETTE PUBLIC SERVICE DISTRICT
CASE NO. 05-0775-PWD-CN

APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial.

RATE

First	3,000 gallons used per month	\$10.51 per 1,000 gallons
Next	3,000 gallons used per month	\$ 8.95 per 1,000 gallons
Next	24,000 gallons used per month	\$ 7.32 per 1,000 gallons
Next	150,000 gallons used per month	\$ 6.20 per 1,000 gallons
All over	180,000 gallons used per month	\$ 5.14 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following, based on meter size.

5/8-inch meter	\$ 31.53 per month
3/4-inch meter	\$ 47.30 per month
1-inch meter	\$ 78.83 per month
1-1/4-inch meter	\$ 115.08 per month
1-1/2-inch meter	\$ 157.65 per month
2-inch meter	\$ 252.24 per month
3-inch meter	\$ 472.95 per month
4-inch meter	\$ 788.25 per month
6-inch meter	\$ 1,576.50 per month
8-inch meter	\$ 2,522.40 per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules, nonpayment of bill or fraudulent use of water.

CONNECTION FEE

A tap fee of \$100.00 will be charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This preconstruction tap fee will be invalid after the completion of construction adjacent to an applicant's premises that is associated with a certificate proceeding. A tap fee of \$350.00 will be charged to all customers who apply for service outside a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the water utility up to a maximum of \$15.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT INCREMENT

\$3.93 per M. gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

CUSTOMER REQUESTED METER CHECK

\$10.00

RESALE RATE

\$3.21 per 1,000 gallons.



West Virginia Infrastructure & Jobs Development Council

Public Members:
Kenneth Lowe, Jr.
Shepherdstown
Dwight Calhoun
Petersburg
Dave McComas
Prichard

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

March 7, 2007

Darrell Wellman
Lavalette Public Service District
5208 Route 152
Lavalette, West Virginia 25535

Re: Lavalette Public Service District
Design Water Project 2004W-842

Dear Mr. Wellman:

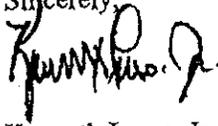
The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council"), at its March 2, 2007 meeting, reviewed the Lavalette Public Service District's (the "District") request, made pursuant to the Infrastructure Council's Engineering Design Advance Funding Assistance Program (the "Program"). The Infrastructure Council voted to offer the District a design loan of \$200,000 with an interest rate of 0% for a term of 20 years (the "Loan") with the balance of the loan due upon closing of the District's next construction project financing. The Loan purpose is to pay for preconstruction engineering services related to its proposed \$5,129,000 construction of water storage tank, booster pump station and water distribution system to serve 258 residents in Wayne County (the "Project"). The Loan will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference.

The Infrastructure Council will enter into the appropriate closing documents with the District following receipt of the engineering agreement, a final non appealable order from the Public Service Commission authorizing the proposed borrowing and approving the proposed engineering agreement, and any other documentation which may be requested by the Infrastructure Council.

Darrell Wellman
March 7, 2007
Page 2

No statements or representations made before or after the issuance of this contingent commitment by any person or member of the Infrastructure Council 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 Jeff Brady at 558-4607.

Sincerely,

Kenneth Lowe, Jr.

KL/jb

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return to the Infrastructure Council by April 30, 2007. **If the Infrastructure Council does not receive the executed commitment by April 30, 2007, this offer will be considered rejected.**

Lavalette Public Service District

By: _____

Its: _____

Date: _____

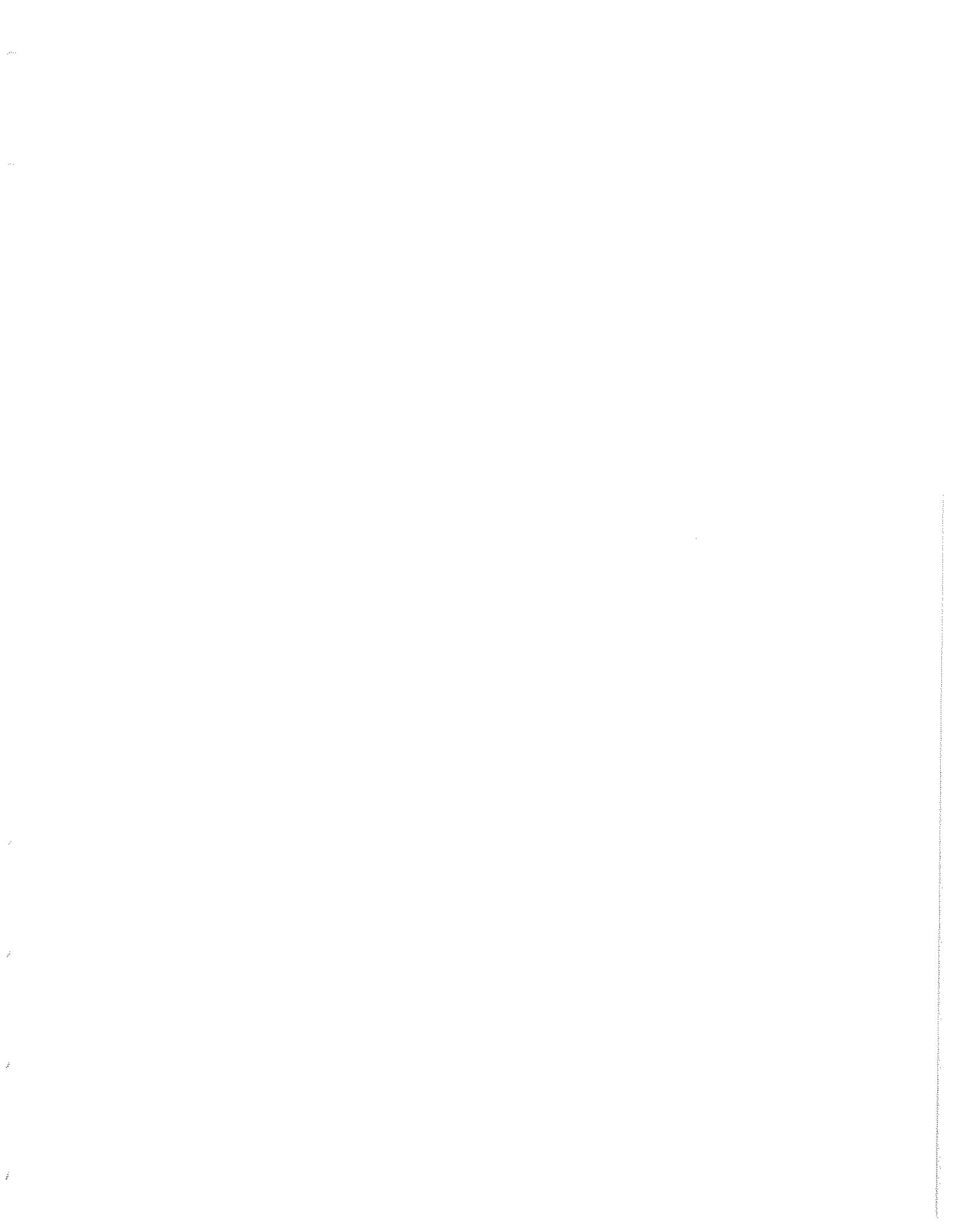
cc: Pat Taylor, BPH
Region II Planning & Development Council
E. L. Robinson Engineering Co.

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

Lavalette Public Service District
 Water Project 2004W-842
 March 7, 2007

SCHEDULE A

A.	Approximate Amount:	\$ 200,000	Loan
B.	Loan:	\$ 200,000	
A.	Maturity Date:	20 years.	
B.	Interest Rate:	0%	
C.	Loan Advancement Date(s)	Monthly, upon receipt of proper requisition	
D.	Special Conditions:	Balance of loan due at the time the District's <u>next project financing.</u>	
C.	Other Funding Sources:		
	Engineer Deferment	<u>170,000</u>	
	Total Design Cost	\$370,000	



LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On the 28th day of August, 2007, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairperson of Lavalette Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received from the Issuer its Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), in the principal amount of \$200,000, numbered AR-1 (the "Series 2007 A Bonds"), dated August 28, 2007.

2. At the time of such receipt, all the Series 2007 A Bonds had been executed by the Chairperson and the Secretary of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed thereon.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2007 A Bonds, the sum of \$200,000, representing the entire principal amount of the Series 2007 A Bonds.

[Remainder of Page Intentionally Blank]

WITNESS our respective signatures on day and year first written above

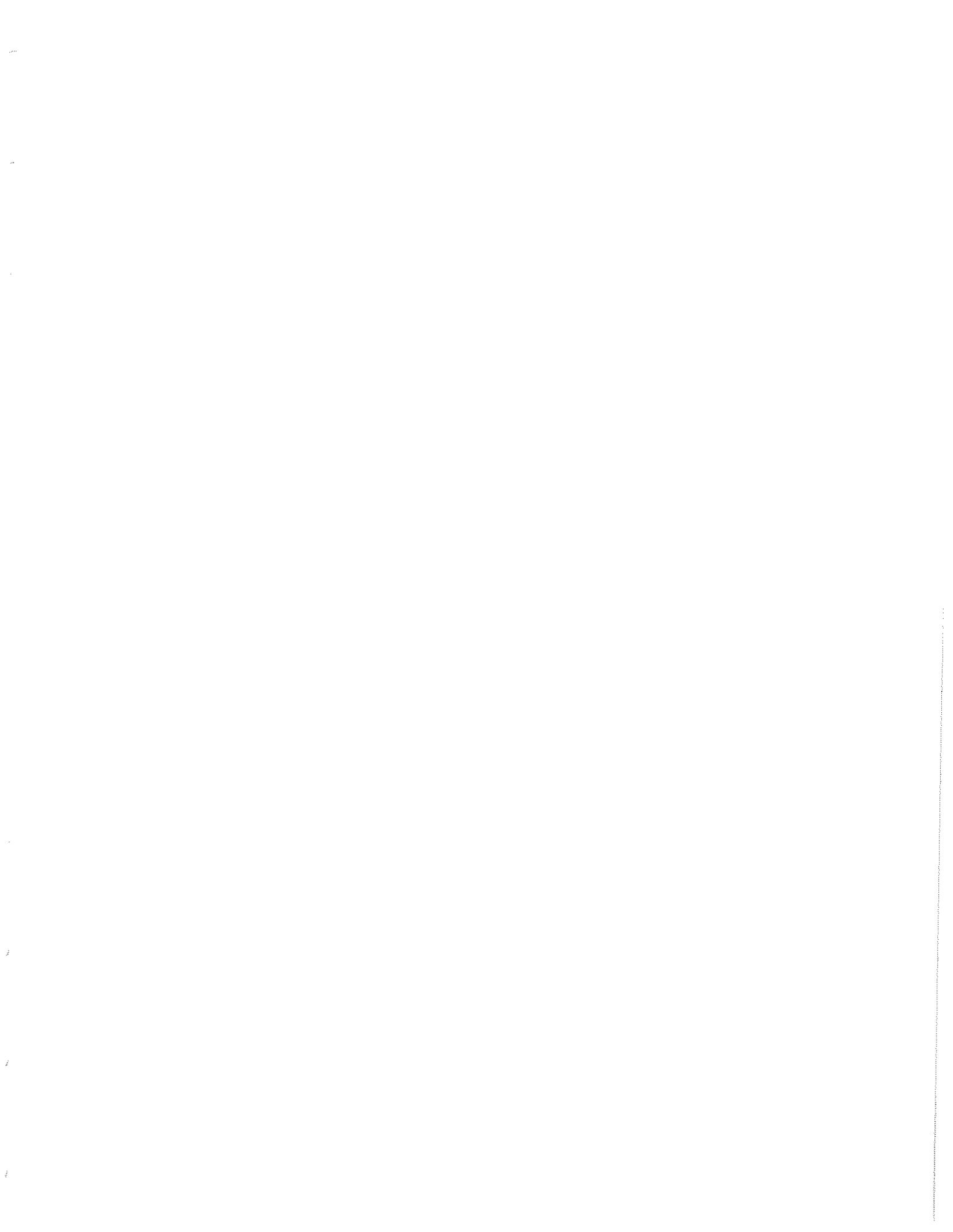
WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Its: Authorized Representative

LAVALETTE PUBLIC SERVICE DISTRICT

By: Dennis Lyons
Its: Chairperson

509380.00004



LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank
as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

Lavalette Public Service District (the "Issuer") hereby delivers the following to you on this 28th day of August, 2007.

(1) Bond No. AR-1, constituting the entire original issue of the Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of \$200,000, dated August 28, 2007 (the "Bonds"), executed by the Chairperson and Secretary of the Issuer and bearing the official seal of the Issuer, authorized to be issued under and pursuant to the Resolution;

(2) A copy of the Resolution authorizing the above-captioned Bonds (the "Bonds") duly certified by the Secretary of the Issuer;

(3) Executed counterparts of a loan agreement dated August 28, 2007, by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Loan Agreement"); and

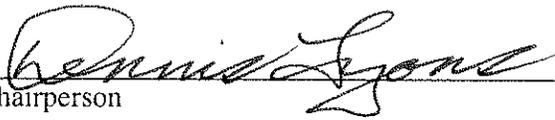
(4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the Issuer of the sum of \$200,000, representing the entire principal of the Series 2007 A Bonds.

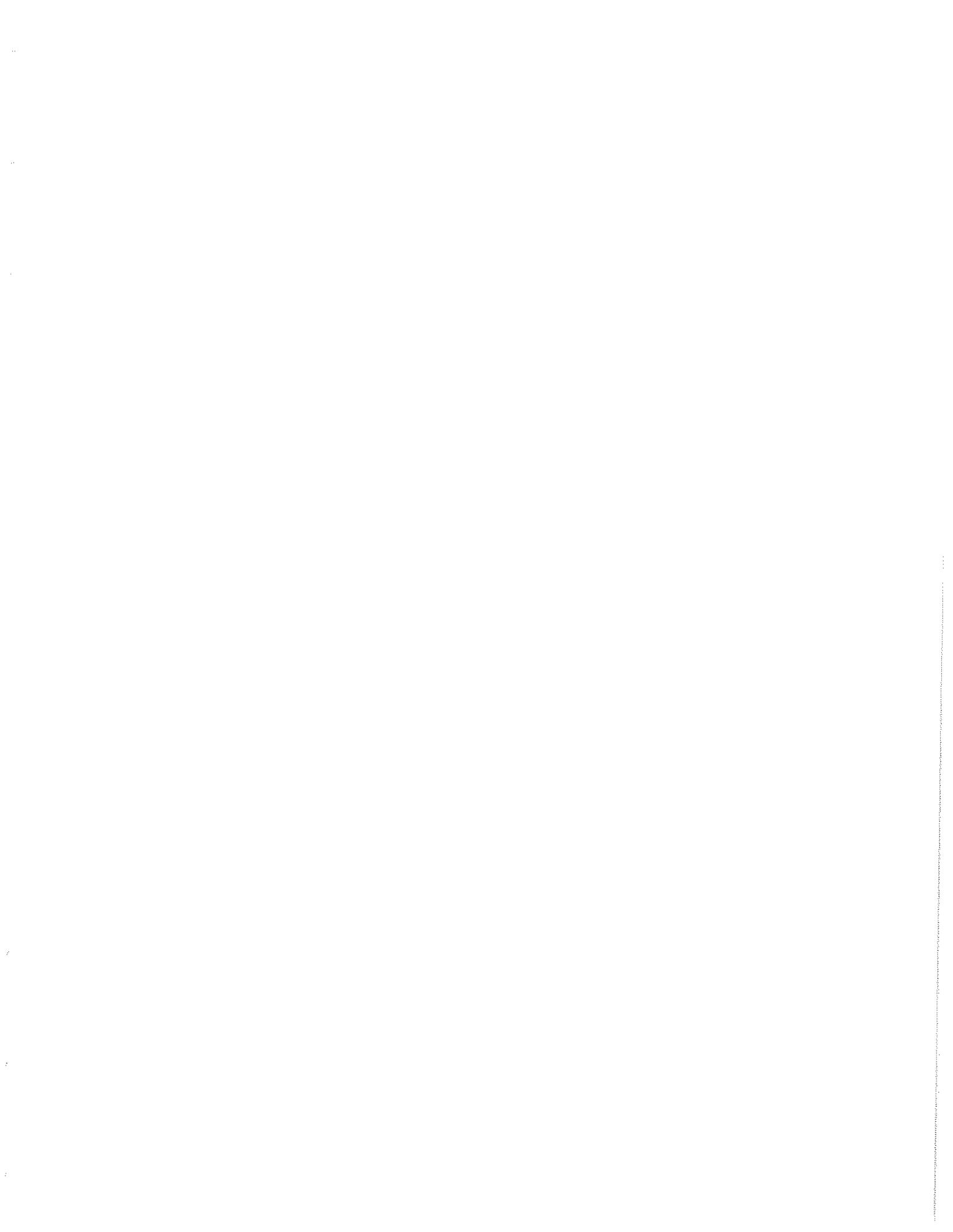
Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Registrar, in accordance with the form of the Certificate of Authentication and Registration thereon.

Dated as of the day and year first written above.

LVALETTE PUBLIC SERVICE DISTRICT

By: 
Its: Chairperson

509380.00004



ALL MEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$200,000

KNOW ALL MEN BY THESE PRESENTS: That LAVALETTE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Wayne County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2008, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with no interest.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated August 28, 2007.

This Bond is issued (i) to pay a portion of the costs of design of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the design of the aforementioned improvements and extensions is herein referred to as the "Project", and the existing public waterworks system of the Issuer, together with any further additions, betterments and improvements thereto, including those contemplated by the Project, are collectively referred to as the "System"); and (ii) to pay costs of issuance of the Bonds of this Series (the "Bonds") 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 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on August 21, 2007, and a Supplemental Resolution duly adopted by the Issuer on August 21, 2007 (collectively, the "Bond

Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL OTHER RESPECTS, WITH THE ISSUER'S (I) WATER REVENUE BONDS, SERIES 1972 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JULY 17, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$370,000 (THE "SERIES 1972 BONDS"); (II) WATER REVENUE BONDS, SERIES 2004 A (UNITED BANK, INC.), DATED APRIL 23, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$533,721 (THE "SERIES 2004 A BONDS"); (III) WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 2006 A BONDS"); (IV) WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$713,000 (THE "SERIES 2006 B BONDS"); AND (V) WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED FEBRUARY 23, 2006, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,918,050 (THE "SERIES 2006 C BONDS") (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, junior and subordinate with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2007 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose.

This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 2007 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2007 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any

succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

Under the Act, this Bond is exempt from taxation by the State of West Virginia and 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 at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, LAVALETTE 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 August 28, 2007.

[SEAL]



Chairperson

ATTEST:



Secretary

SPECIMEN

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: August 28, 2007.

THE HUNTINGTON NATIONAL BANK,
as Registrar


Authorized Officer

SPECIMEN

EXHIBIT A
RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	\$200,000	August 28, 2007	(19)	\$	
(2)	\$		(20)	\$	
(3)	\$		(21)	\$	
(4)	\$		(22)	\$	
(5)	\$		(23)	\$	
(6)	\$		(24)	\$	
(7)	\$		(25)	\$	
(8)	\$		(26)	\$	
(9)	\$		(27)	\$	
(10)	\$		(28)	\$	
(11)	\$		(29)	\$	
(12)	\$		(30)	\$	
(13)	\$		(31)	\$	
(14)	\$		(32)	\$	
(15)	\$		(33)	\$	
(16)	\$		(34)	\$	
(17)	\$		(35)	\$	
(18)	\$		(36)	\$	

TOTAL \$ _____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

\$200,000

Lavalette Public Service District

0% Interest Rate; 20 Years

Closing Date: August 28, 2007

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2007	-	-	-
12/01/2007	-	-	-
03/01/2008	-	-	-
06/01/2008	2,500.00	-	2,500.00
09/01/2008	2,500.00	-	2,500.00
12/01/2008	2,500.00	-	2,500.00
03/01/2009	2,500.00	-	2,500.00
06/01/2009	2,500.00	-	2,500.00
09/01/2009	2,500.00	-	2,500.00
12/01/2009	2,500.00	-	2,500.00
03/01/2010	2,500.00	-	2,500.00
06/01/2010	2,500.00	-	2,500.00
09/01/2010	2,500.00	-	2,500.00
12/01/2010	2,500.00	-	2,500.00
03/01/2011	2,500.00	-	2,500.00
06/01/2011	2,500.00	-	2,500.00
09/01/2011	2,500.00	-	2,500.00
12/01/2011	2,500.00	-	2,500.00
03/01/2012	2,500.00	-	2,500.00
06/01/2012	2,500.00	-	2,500.00
09/01/2012	2,500.00	-	2,500.00
12/01/2012	2,500.00	-	2,500.00
03/01/2013	2,500.00	-	2,500.00
06/01/2013	2,500.00	-	2,500.00
09/01/2013	2,500.00	-	2,500.00
12/01/2013	2,500.00	-	2,500.00
03/01/2014	2,500.00	-	2,500.00
06/01/2014	2,500.00	-	2,500.00
09/01/2014	2,500.00	-	2,500.00
12/01/2014	2,500.00	-	2,500.00
03/01/2015	2,500.00	-	2,500.00
06/01/2015	2,500.00	-	2,500.00
09/01/2015	2,500.00	-	2,500.00
12/01/2015	2,500.00	-	2,500.00
03/01/2016	2,500.00	-	2,500.00
06/01/2016	2,500.00	-	2,500.00
09/01/2016	2,500.00	-	2,500.00
12/01/2016	2,500.00	-	2,500.00
03/01/2017	2,500.00	-	2,500.00
06/01/2017	2,500.00	-	2,500.00
09/01/2017	2,500.00	-	2,500.00
12/01/2017	2,500.00	-	2,500.00
03/01/2018	2,500.00	-	2,500.00
06/01/2018	2,500.00	-	2,500.00

\$200,000

**Lavalette Public Service District
0% Interest Rate; 20 Years
Closing Date: August 28, 2007**

Debt Service Schedule

Date	Principal	Coupon	Total P+I
09/01/2018	2,500.00	-	2,500.00
12/01/2018	2,500.00	-	2,500.00
03/01/2019	2,500.00	-	2,500.00
06/01/2019	2,500.00	-	2,500.00
09/01/2019	2,500.00	-	2,500.00
12/01/2019	2,500.00	-	2,500.00
03/01/2020	2,500.00	-	2,500.00
06/01/2020	2,500.00	-	2,500.00
09/01/2020	2,500.00	-	2,500.00
12/01/2020	2,500.00	-	2,500.00
03/01/2021	2,500.00	-	2,500.00
06/01/2021	2,500.00	-	2,500.00
09/01/2021	2,500.00	-	2,500.00
12/01/2021	2,500.00	-	2,500.00
03/01/2022	2,500.00	-	2,500.00
06/01/2022	2,500.00	-	2,500.00
09/01/2022	2,500.00	-	2,500.00
12/01/2022	2,500.00	-	2,500.00
03/01/2023	2,500.00	-	2,500.00
06/01/2023	2,500.00	-	2,500.00
09/01/2023	2,500.00	-	2,500.00
12/01/2023	2,500.00	-	2,500.00
03/01/2024	2,500.00	-	2,500.00
06/01/2024	2,500.00	-	2,500.00
09/01/2024	2,500.00	-	2,500.00
12/01/2024	2,500.00	-	2,500.00
03/01/2025	2,500.00	-	2,500.00
06/01/2025	2,500.00	-	2,500.00
09/01/2025	2,500.00	-	2,500.00
12/01/2025	2,500.00	-	2,500.00
03/01/2026	2,500.00	-	2,500.00
06/01/2026	2,500.00	-	2,500.00
09/01/2026	2,500.00	-	2,500.00
12/01/2026	2,500.00	-	2,500.00
03/01/2027	2,500.00	-	2,500.00
06/01/2027	2,500.00	-	2,500.00
09/01/2027	2,500.00	-	2,500.00
12/01/2027	2,500.00	-	2,500.00
03/01/2028	2,500.00	-	2,500.00
Total	\$200,000.00	-	\$200,000.00

\$200,000

Lavalette Public Service District

0% Interest Rate; 20 Years

Closing Date: August 28, 2007

Debt Service Schedule

Yield Statistics

Bond Year Dollars	\$2,126.67
Average Life	10.633 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	-1.41E-10
Bond Yield for Arbitrage Purposes	-1.41E-10
All Inclusive Cost (AIC)	-1.41E-10

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	10.633 Years

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond on the books
kept for registration of the within Bond of the said Issuer with full power of substitution in the premises.

Dated: _____, _____.

In the presence of:

August 28, 2007

Lavalette Public Service District
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Lavalette Public Service District
Lavalette, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Lavalette Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$200,000 Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement dated August 28, 2007, including all schedules and exhibits attached thereto as it relates to the Bonds (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal and interest to the Authority, bearing interest at the rate of 0% per annum, beginning June 1, 2008, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of design of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Bonds and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on August 21, 2007, as supplemented by a Supplemental Resolution duly adopted by the Issuer on August 21, 2007 (collectively, the "Resolution"), pursuant to and under which Act and Resolution the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Resolution and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings 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, public corporation and political subdivision of the State of West Virginia, with full power and authority to design the Project, to operate and maintain the System, to adopt the Resolution and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

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

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

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Resolution and secured by a second lien on and pledge of the Net Revenues of the System, junior and subordinate with respect to liens, pledge and source of and security for payment with the Issuer's Prior Bonds, all in accordance with the terms of the Bonds and the Bond Legislation.

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

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

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

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

Very truly yours,


STEPTOE & JOHNSON PLLC

LAW OFFICES

ROBERT R. RODECKER

BB&T SQUARE

300 SUMMERS STREET, SUITE 1230

POST OFFICE BOX 3713

CHARLESTON, WEST VIRGINIA 25337

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JAMES V. KELSH
OF COUNSEL
kelshlaw@yahoo.com

AREA CODE 304
343-1654

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343-1657

August 28, 2007

Lavalette Public Service District
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Lavalette Public Service District
Lavalette, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to Lavalette Public Service District, a public service district, in Wayne County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the above-captioned bonds (the "Bonds"), dated August 28, 2007, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority ("Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the Bond Resolution duly adopted by the Issuer on August 21, 2007, as supplemented by the Supplemental Resolution duly adopted by the Issuer on August 21, 2007 (collectively, the "Resolution"), orders of The County Commission of Wayne County, West Virginia, relating to the Issuer and the appointment of members of the Public Service Board

of the Issuer, and other documents, papers, agreements, instruments and certificates relating to the above-captioned bonds of the Issuer. 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.

I am of the opinion that:

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

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

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

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

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

6. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia ("PSC"), including the Commission Order dated May 23, 2007, in Case No.07-0532-PWD-PC, approving the design of the Project and the financing therefor, and the Recommended Decision of the PSC entered on October 12, 2005, which became Final Order on November 1, 2005, in Case No.05-0775-PWD-CN, approving, among other things, rates for the System. The time for appeal of such Commission Orders has expired prior to the date hereof without any appeal having been filed. Such Commission Orders remain in full force and effect.

7. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the design of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Wayne County, the West Virginia Department of Environmental Protection, the Council, and the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges.

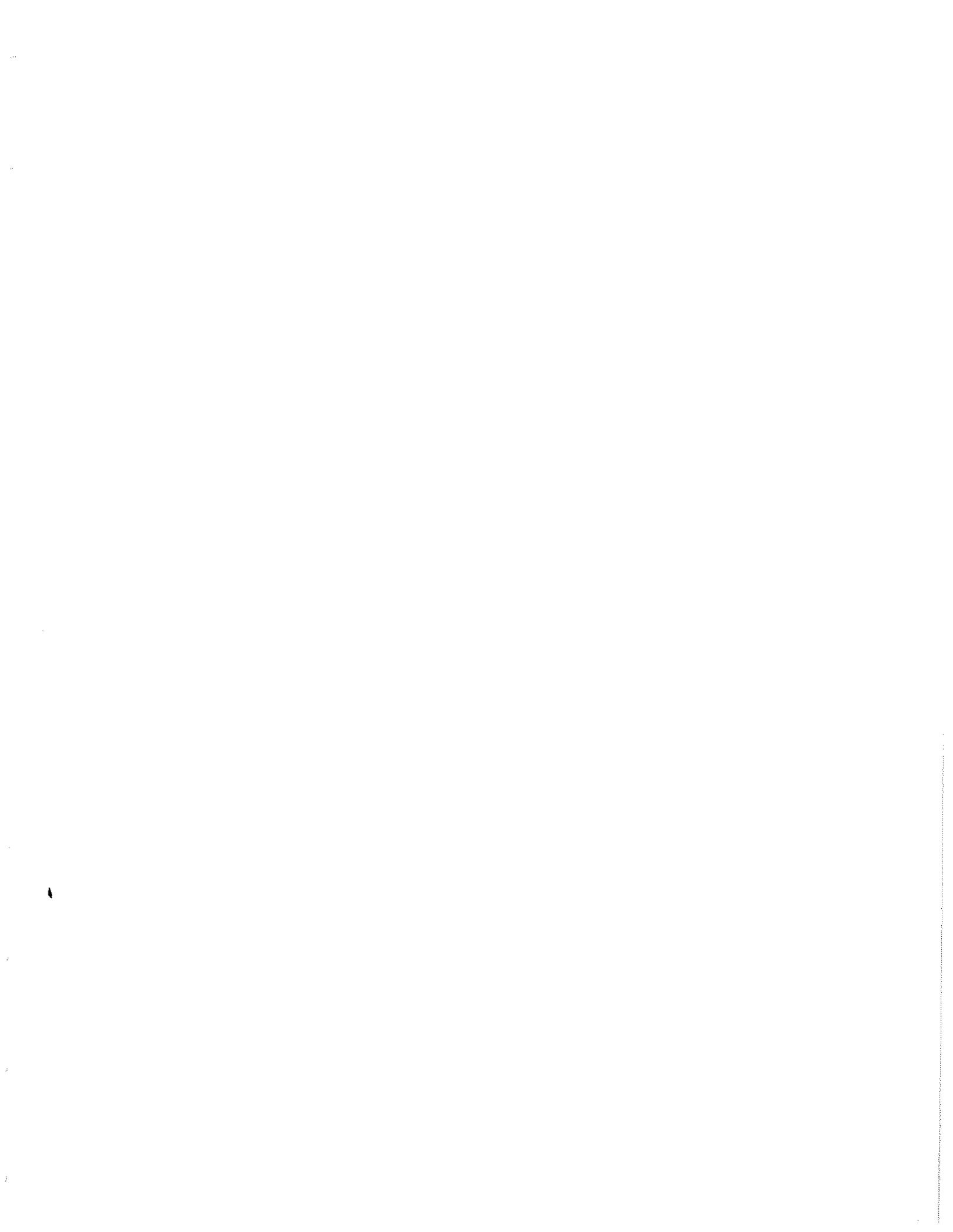
8. To the best of our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds, the Loan Agreement, the Resolution, the design of the Project, the operation of the System, the validity of the Bonds or the collection of the Gross Revenues or the pledge of the Net Revenues for the payment of the Bonds.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert R. Rodecker". The signature is written in a cursive style with a large initial 'R'.

Robert R. Rodecker



LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. MEETINGS, ETC.
8. LOAN AGREEMENT
9. RATES
10. PUBLIC SERVICE COMMISSION ORDER
11. SIGNATURES AND DELIVERY
12. BOND PROCEEDS
13. INSURANCE
14. SPECIMEN BOND
15. CONFLICTS OF INTEREST
16. PROCUREMENT OF ENGINEERING SERVICES
17. VERIFICATION OF SCHEDULE B
18. PERMANENT FINANCING
19. EXECUTION OF COUNTERPARTS

We, the undersigned CHAIRPERSON and the undersigned SECRETARY of the Public Service Board of Lavalette Public Service District in Wayne County, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify, as of the 28th day of August, 2007, in connection with the Issuer's Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds" or the "Series 2007 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution of the Issuer duly adopted August 21, 2007, as supplemented by the Supplemental Resolution of the Issuer duly adopted August 21, 2007 (collectively, the "Bond Legislation"), and the loan agreement for the Bonds 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 August 21, 2007, when used herein.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the design of certain additions and extensions to the existing waterworks system of the Issuer (the "Project"), the operation of the System, the pledge of the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other monies or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the completion of the Project, the operation of the System, the pledge or application of monies and security or the collection of the Gross Revenues or the pledge of Net Revenues as security for the Bonds.

3. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations, licenses, orders and certificates required by law for the creation and existence of the Issuer, the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect.

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

There are outstanding bonds of the Issuer which will rank senior and prior with the 2007 A Bonds as to liens pledge and source of and security for payment, and in all respects, being the Issuers (1) Water Revenue Bonds, Series 1972 (United States Department of Agriculture), dated July 17, 1973, issued in the original aggregate principal amount of \$370,000 (the "Series 1972 Bonds"); (2) Water Revenue Bonds, Series 2004 A (United Bank, Inc.), dated April 23, 2004, issued in the original aggregate principal amount of \$533,721 (the "Series 2004 A Bonds"); (3) Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$2,000,000 (the "Series 2006 A Bonds"); (4) Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), dated February 23, 2006, issued in the original aggregate principal amount of \$713,000 (the "Series 2006 B Bonds"); and (5) Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), dated February 23, 2006, issued in the original aggregate principal amount of \$1,918,050 (the "Series 2006 C Bonds") (collectively, the "Prior Bonds").

The Issuer has obtained the written consent of the Registered Owners of the Prior Bonds to the issuance of the Series 2007 A Bonds junior and subordinate to the Prior

Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

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

Bond Resolution

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication of Notice of Filing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Prior Bond Resolution and Supplemental Resolution

Evidence of Insurance

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Lavalette Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Wayne County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly

appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Dennis Lyons	March 19, 2007	March 18, 2013
William Willis	November 13, 2005	November 13, 2011
Michael Blatt	February 1, 2007	January 31, 2013

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 2007 are as follows:

Chairperson	-	Dennis Lyons
Secretary/Treasurer	-	William Willis

The duly appointed and acting counsel to the Issuer is Robert Rodecker, Esquire, Charleston, West Virginia.

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

8. 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 statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading; and (iv) the Issuer is in compliance with all covenants, terms and representations in the Loan Agreement.

9. **RATES:** The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered on October 12, 2005, in Case No. 05-0775-PWD-CN among other things, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Order has expired prior to the date hereof without any appeal. Such rates and charges are currently in effect.

10. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received the Commission Order of the Public Service Commission of West Virginia entered May 23, 2007, in Case No. 07-0532-PWD-PC, approving the Project and the financing therefor. The time for appeal of such Order has expired prior to the date hereof without any appeal. Such Order remains in full force and effect.

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

12. **BOND PROCEEDS:** On the date hereof, the Issuer received \$200,000 from the Council and the Authority, representing the entire principal amount of the Series 2007 A Bonds.

13. **INSURANCE:** All insurance for the System required by the Resolution and the Loan Agreement are in full force and effect.

14. **SPECIMEN BONDS:** Delivered concurrently herewith is a true and accurate specimens of the Bonds.

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 in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

16. **PROCUREMENT OF ENGINEERING SERVICES:** The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia

Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

17. VERIFICATION OF SCHEDULE B: 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 Bonds.

18. PERMANENT FINANCING: The Issuer hereby certifies that it will promptly seek permanent financing for the acquisition and construction of the extensions and improvements contemplated by the Project and will do all things necessary to effectuate such financing and apply the proceeds from such financing to pay the entire outstanding principal of and all accrued interest on the Bonds, if any, in full as soon as such financing is available.

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

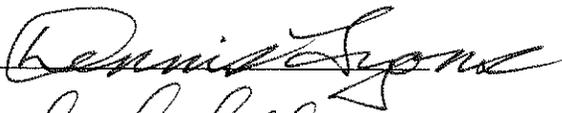
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WITNESS our signatures and the official seal of LAVALETTE PUBLIC SERVICE DISTRICT on this 28th day of August, 2007.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE



Chairperson



Secretary

Counsel to Issuer

590380.00004

WITNESS our signatures and the official seal of LAVALETTE PUBLIC SERVICE DISTRICT on this 28th day of August, 2007.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Chairperson

Secretary

Robert R. Rodden

Counsel to Issuer

590380.00004

LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

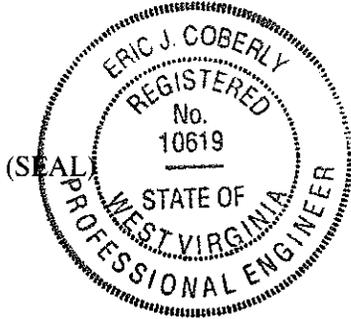
I, Eric Coberly, P.E., Registered Professional Engineer, West Virginia License No. 10619, of E.L. Robinson Engineering Company, in Cross Lanes, West Virginia, hereby certifies this 28th day of August, 2007:

1. My firm is engineer for the design of extensions and improvements to a public waterworks system (the design of the aforementioned extensions and improvements to the public waterworks system is herein referred to as the "Project") of Lavalette Public Service District (the "Issuer") to be constructed in Wayne County, West Virginia, which design is being temporarily financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meanings set forth in the Bond Resolution adopted by the Issuer on August 21, 2007, and the Supplemental Resolution adopted by the Issuer on August 21, 2007, and the Loan Agreement dated August 21, 2007 (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").

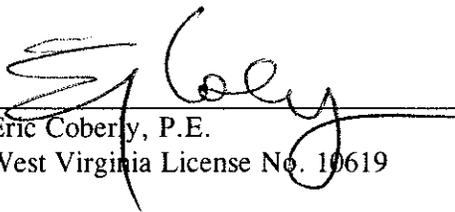
2. The Bonds are being issued for the purposes of (i) temporarily financing a portion of the costs of the Project; and (ii) paying costs of issuance and related costs.

3. The undersigned hereby certifies that (i) the Project will be completed by my firm as described in the application submitted to the Authority and the Council, requesting the Authority to purchase the Bonds (the "Application"), (ii) the extensions and improvements to the public waterworks system of the Issuer which will be designed as a result of the Project will be adequate for the purpose for which it will be designed and, when constructed, will have a useful life of at least twenty years, (iii) prior to construction, the undersigned will assist the Issuer in obtaining all permits required by the laws of the State of West Virginia and the United States necessary for the construction and acquisition of the improvements and extensions contemplated by the Project and the operation of the System, (iv) the net proceeds of the Bonds, together with all other monies on deposit or to be simultaneously deposited and irrevocably pledged thereto, are sufficient to pay the costs of the Project, other than the amount deferred by the Consulting Engineer and proceeds of any grants available to the Issuer, as set forth in the Application, and (v) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project and Sources of Funds" for the Project.

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



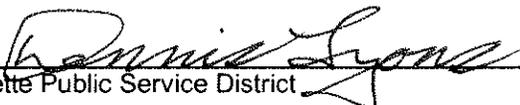
E.L. ROBINSON ENGINEERING COMPANY


Eric Coberly, P.E.
West Virginia License No. 10619

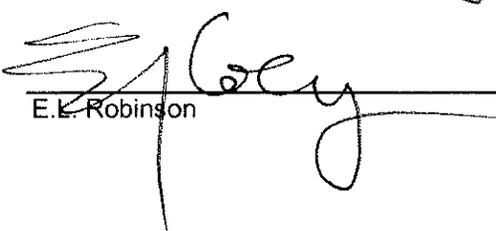
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SCHEDULE B
LAVALETTE PUBLIC SERVICE DISTRICT
Waterworks System Design Revenue Bonds, Series 2007 A

A. COST OF PROJECT	TOTAL	IJDC	Deferral
1 Construction	0.00	0.00	0.00
2 Technical Services - EL Robinson			
a. Preliminary Engineering	20,000.00	20,000.00	0.00
b. Design	405,000.00	179,500.00	225,500.00
c. Engineering During Construction	0.00	0.00	0.00
d. Inspection	0.00	0.00	0.00
e. Special Services	0.00	0.00	0.00
3 Legal & Fiscal	0.00	0.00	0.00
4 Administrative	0.00	0.00	0.00
5 Sites & Other Lands	0.00	0.00	0.00
6 Contingency	0.00	0.00	0.00
7 TOTAL of Lines 1 through 6	425,000.00	199,500.00	225,500.00
B. COST OF FINANCING			
8 Funded Reserve	0.00	0.00	0.00
9 Registrar	500.00	500.00	
10 Bond Counsel	3,000.00	0.00	3,000.00
11 Cost of Financing	3,500.00	500.00	3,000.00
12 TOTAL PROJECT COST line 8 through line 11	428,500.00	200,000.00	228,500.00
C. SOURCES OF OTHER FUNDS			
13 Federal Grants			
14 State Grants			
15 Other Grants			
16 Any Other Source Deferral	228,500.00		228,500.00
17 TOTAL GRANTS Lines 13 through 16	228,500.00		228,500.00
18 Size of Bond Issue (line 12 minus Line 17)	200,000.00	200,000.00	0.00


Lavalette Public Service District

8/21/07
Date


E.L. Robinson

8/21/07
Date

BASSETT & LOWE

CERTIFIED PUBLIC ACCOUNTANTS

1156 SOUTH MAIN STREET

MILTON, WEST VIRGINIA 25541

Phone: (304) 743-5573 FAX: (304) 743-1150

Toll Free: 1-800-720-9629

e-mail: rbassett@bassettlowe.com

e-mail: rlowe@bassettlowe.com

August 28, 2007

Lavalette Public Service District
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

Lavalette Public Service District
Lavalette, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

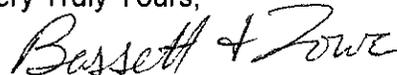
West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Commission Order of the Public Service Commission of West Virginia entered October 12, 2005, in Case No. 05-0775-PWD-CN and the current operation and maintenance expenses and customer usage as furnished to us by Lavalette Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Bonds"), to be issued to the West Virginia Water Development Authority on the date hereof, and all other obligations secured by a lien on or payable from the revenues of the System, on a parity with, senior to, or junior to the Bonds, including the Prior Bonds of the Issuer as defined and described in the Bond Resolution of the Issuer adopted August 21, 2007, authorizing the Bonds.

It is our 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 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Bonds, if any, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Bonds and the Prior Bonds. Additionally, all RUS Reserve Accounts are funded in accordance with the prior bond documents.

Very Truly Yours,



Bassett & Lowe



LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Chairperson of the Public Service Board of Lavalette Public Service District in Wayne County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$200,000 Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, dated August 28, 2007 (the "Bonds"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Resolution duly adopted by the Issuer on August 21, 2007 and Supplemental Resolution duly adopted by the Issuer on August 21, 2007 (collectively, the "Bond Resolution"), authorizing the Bonds.

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

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on August 28, 2007, the date on which the Bonds are being physically delivered in exchange for an initial advance of \$200,000 being the entire principal amount of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

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

5. The Series 2007 A Bonds were sold on August 28, 2007, to the Authority, pursuant to a loan agreement dated August 28, 2007, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$200,000

(100% of par), at which time, the Issuer received \$200,000 from the Authority and the Council, being the entire principal amount of the Series 2007 A Bonds. No accrued interest has been or will be paid on the Series 2007 A Bonds.

6. The Series 2007 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of design of new public waterworks facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Bonds and related costs.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend in excess of \$100,000 on the Project, constituting a substantial binding commitment. The Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in the respective Reserve Accounts for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before March 1, 2008. The Project is expected to be completed by March 1, 2008.

8. The total cost of the Project financed from the proceeds of the Bonds and the grants described below is estimated at \$428,500. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2007 A Bonds	\$200,000
Deferral	\$228,500
Total Sources	<u>\$428,500</u>

USES

Costs of the Project	\$425,000
Costs of Issuance	3,500
Total Uses	<u>\$428,500</u>

9. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2007 A Bonds:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2007 A Bonds Project Fund;

(4) Series 2007 A Bonds Sinking Fund; and

(5) Series 2007 A Bonds Reserve Account.

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

(1) Series 2007 A Bond proceeds in the amount of \$-0- will be deposited in the Series 2007 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Series 2007 A Bonds during the Project and for a period not to exceed six months following completion thereof.

(2) Series 2007 A Bonds proceeds in the amount of \$-0- will be deposited in the Series 2007 A Bonds Reserve Account.

(3) The balance of the proceeds of the Series 2007 A Bonds will be deposited in the Series 2007 A Bonds Project Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2007 A Bonds and related costs.

11. Moneys held in the Series 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest, if any, on the Series 2007 A Bonds and will not be available to meet costs of the Project. All investment earnings on moneys in the Series 2007 A Bonds Sinking Fund and Series 2007 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2007 A Bonds Project Fund during the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

12. Work with respect to the Project will proceed with due diligence to completion. The Project is expected to be completed within 6 months of the date hereof.

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

14. With the exception of the amount deposited in the Series 2007 A Bonds Sinking Fund for payment of interest, if any, on the Series 2007 A Bonds and the amount deposited in the Series 2007 A Bonds Reserve Account, if any, all of the proceeds of the Series 2007 A Bonds will be expended on the date of issuance thereof.

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

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

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

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

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

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

21. The Bonds are not federally guaranteed.

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

23. The Issuer has either (a) funded the Series 2007 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2007 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2007 A Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the Series 2007 A Bonds Reserve Account and the 2007 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2007 A Bonds and will not be available to pay costs of the Project.

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

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

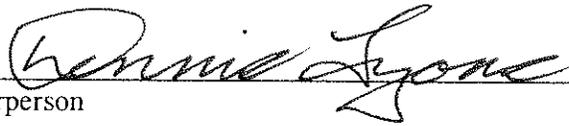
26. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

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

[Remainder of Page Intentionally Blank]

WITNESS my signature on this 28th day of August, 2007.

LAVALETTE PUBLIC SERVICE DISTRICT


Chairperson

509380.00004

A RESOLUTION AND ORDER CREATING LAVALETTE
PUBLIC SERVICE DISTRICT IN WAYNE AND CABELL
COUNTY, WEST VIRGINIA.

WHEREAS, on November 5, 1964, a petition was filed with the Clerk of the County Court of Wayne County, West Virginia, for the creation of the Lavalette Public Service District, containing a description by metes and bounds of said district, as well as a map of the proposed district, which petition was signed by over one hundred legal voters resident within and owning real property within the defined limits of the proposed public service district; and

WHEREAS, the County Court of Wayne County, West Virginia, did, on the 9th day of November, 1964, set and fix a date of hearing on the creation of the proposed public service district, as provided by law, which date was set as the 7th day of December, 1964, at 10:00 A.M., in the courtroom of said County Court; and

WHEREAS, a due and proper notice of said hearing was duly published in the Wayne County News, a newspaper of general circulation in Wayne County, West Virginia, and in the Herald-Dispatch of Huntington, West Virginia, and the Herald-Advertiser, of Huntington, West Virginia, newspapers of general circulation in Cabell County, West Virginia, all of which publications were made according to Chapter 16 Article 13a of the West Virginia Code, Certificates of Publication having been duly filed with the said County Court of Wayne County, West Virginia; and

WHEREAS, the said County Court of Wayne County, West Virginia, has held a public hearing concerning said matter on the 7th day of December, 1964, at 10:00 A.M., in the Wayne County Court courtroom, in the Court House of said county, pursuant to said notices, giving all interested parties who appeared an opportunity to be heard upon said proposed public service district formation; and

WHEREAS, at such hearing and upon the investigation of the said Wayne County Court, it is determined that creation of the Lavalette Public Service District will be conducive to the preservation of public health, comfort and convenience of such area; and

WHEREAS, the said County Court of Wayne County, West Virginia, is empowered by law to create said public service district:

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Wayne County, West Virginia, as follows:

That the County Court of Wayne County, West Virginia, hereby creates the Lavalette Public Service District, with all the powers, duties and privileges provided by law, as set forth in Chapter 16 Article 13-a of the West Virginia Code, and the said County Court of Wayne County, West Virginia, does further create and define the area or territory constituting said district as follows:

BEGINNING at a point in Cabell County having latitude of N 38° 23' 17" and longitude of W 82° 26' 42",

Thence S 0° 46' E., 1.84 miles,
Thence S 89° 37' W., 0.17 mile,
Thence S 7° 59' W., 0.85 mile,
Thence N 58° 22' E., 1.20 miles,
Thence S 87° 04' E., 0.31 mile,
Thence S 40° 30' W., 1.41 miles,
Thence S 3° 11' W., 1.26 miles,
Thence S 73° 11' W., 0.70 mile,
Thence S 6° 30' W., 0.27 mile,
Thence N 73° 54' W., 0.40 mile,
Thence S 5° 29' W., 1.160 miles
Thence S 47° 01' W., 1.18 miles,
Thence S 25° 59' E., 0.26 mile,
Thence S 61° 29' W., 0.13 mile

to a point having a latitude of N 38° 16' 50" and longitude of
W 02° 27' 33",

Thence N 27° 17' W., 0.55 mile,
Thence N 50° 01' E., 0.91 mile,
Thence N 39° 19' W., 0.18 mile,
Thence N 13° 26' W., 0.94 mile,
Thence N 11° 05' E., 0.57 mile,
Thence N 59° 18' E., 0.15 mile to center of Twelve

Pole Creek,

Thence down Twelve Pole Creek 1.52 miles,
Thence N 87° 09' W., 0.41 mile,
Thence North 0.20 mile,
Thence N 51° 35' E., 0.44 mile,
Thence S 73° 30' E., 0.42 mile,
Thence N 44° 15' E., 1.24 miles,
Thence N 15° 29' W., 1.17 miles,
Thence N 2° 51' E., 2.0 miles to a point having a

latitude of North 38° 23' 17",

Thence East 0.70 mile to place of BEGINNING, containing
an area of 5.80 square miles and as shown on a map prepared by
J. H. MILAM, INC., Consulting Engineers, Dunbar, West Virginia,
dated October 15, 1964.

The purpose of said Public Service District shall be to
construct, or acquire by purchase or otherwise and maintain, operate,
improve and extend public water supply within such territory, also
outside such territory to the extent permitted by law.

Adopted by the County Court this 7th day of December,
1964.

ATTEST:

Frank Robertson
Clerk

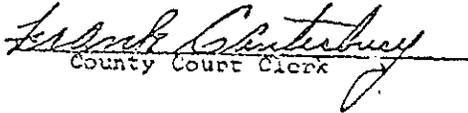
Oscar Walter

President

STATE OF WEST VIRGINIA)
COUNTY OF WAYNE } SS:

I, Frank Canterbury, hereby certify that I am the duly qualified and acting Clerk of the County Court of Wayne County, West Virginia, and that the foregoing constitutes a true, correct and complete resolution and order adopted December 7, 1964, relating to the proposed creation of the LAVALETTE PUBLIC SERVICE DISTRICT.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the seal of said Court at Wayne, West Virginia, this December 8, 1964.


County Court Clerk

(SEAL)

BOOK 30 PAGE 299

William J. Wells
Attorney at Law
Hayne, W. Va.

November 6, 1954

Clerk of the Cabell County Court
Courthouse
Huntington, West Virginia

Dear Sir:

Pursuant to Article 13-a of Chapter 15 of the Code of West Virginia, I am filing with your office the enclosed petition for creation of a Public Service District, which has been filed and which will be acted upon by the Wayne County Court.

Very truly yours,

William J. Wells

William J. Wells

WJW:lc
Encl. 1

PETITION FOR CREATION OF A PUBLIC SERVICE DISTRICT
PURSUANT TO ARTICLE 13-a of CHAPTER 16
OF THE CODE OF WEST VIRGINIA, AS AMENDED.

To the County Court of Wayne County, West Virginia:

The undersigned, all legal voters residing within and owning real property within the limits of the territory described below, Do Hereby Petition the County Court of the County of Wayne, West Virginia, to create Lavalette Public Service District of the Counties of Wayne and Cabell, West Virginia, the territorial limits described below, pursuant to the provisions of Chapter 147 of the Acts of the Legislature of West Virginia, Regular Session of 1953, constituting Article 13-a of Chapter 16 of the Code of West Virginia of 1931, as amended.

The Lavalette Public Service District shall be as follows:

BEGINNING at a point in Cabell County having latitude of N 38° 23' 17" and longitude of W 82° 26' 42",

- Thence S. 0° 45' E., 1.24 miles,
- Thence S 39° 37' W., 0.17 mile,
- Thence S 7° 59' W., 0.85 mile,
- Thence N 58° 22' E., 1.20 miles,
- Thence S 87° 04' E., 0.31 mile,
- Thence S 40° 30' W., 1.41 miles,
- Thence S 3° 11' W., 1.26 miles,
- Thence S 73° 11' E., 0.70 mile,
- Thence S 6° 30' W., 0.27 mile,
- Thence N 73° 54' W., 0.40 mile,
- Thence S 5° 29' W., 1.60 mile,
- Thence S 47° 01' W., 1.18 miles,
- Thence S 25° 59' E., 0.26 miles
- Thence S 61° 29' W., 0.13 mile

to a point having a latitude of N 38° 16' 50" and longitude of W 82° 27' 33",

COUNTY CLERK'S OFFICE

164 NOV 5 PM 7:36

WAYNE COUNTY, W. VA.

Thence N 27° 17' W., 0.55 mile,
 Thence N 50° 01' E., 0.91 miles
 Thence N 39° 19' W., 0.13 miles,
 Thence N 13° 26' W., 0.94 miles,
 Thence N 11° 05' E., 0.57 mile,
 Thence N 59° 18' E., 0.15 mile to center of Twelve Pole Creek,
 Thence down Twelve Pole Creek 1.52 miles,
 Thence N 87° 09' W., 0.41 mile,
 Thence North 0.20 mile,
 Thence N 51° 35' E., 0.44 mile,
 Thence S 73° 30' E., 0.42 mile,
 Thence N 44° 15' E., 1.24 mile,
 Thence N 15° 29' W., 1.17 miles,
 Thence N 2° 51' E., 2.0 miles to a point having a latitude of
 North 38° 23' 17".

Thence East 0.70 mile to place of BEGINNING, containing an
 area of 5.80 square miles and as shown on a map prepared by
 J. H. MILAM, INC., Consulting Engineers, Dunbar, West Virginia,
 dated October 15, 1964.

The purpose of said Public Service District shall be to construct,
 or acquire by purchase or otherwise and maintain, operate, improve,
 and extend public water supply service and within such territory,
 also outside such territory to the extent permitted by law.

The territory described above does not include within its limits
 the territory of any Public Service District organized under the
 laws hereinbefore referred to, nor does such territory include
 within its limits any city, incorporated town or other municipal
 corporation.

The undersigned petitioners hereby deposit with the petition
 the sum of \$_____ to advance the cost of publication of
 the notice of public hearing upon the creation and establishment
 of said Public Service District which said sum is to be returned
 to petitioners from the proceeds of any bonds issued said Public

Service District if same shall be created and established.

If said Public Service District shall not be created and established, then the cost of said public hearing shall be borne by petitioners and neither the Counties of Wayne and Cabell nor the County Court of said Counties or any political subdivision, agency or instrumentality of said counties shall have any liability herefor.

There are residing within the area proposed for the Public Service District 650 property owners of which 104 have signed this petition, representing a total estimated population of 2500.

I, Kurt G. Goble, a Notary Public
in and for the said County of Wayne, do certify that

Lang Masby
personally appeared before me in my said County and being
by me duly sworn did depose and say that the signatures
appearing on the above and attached petition are the true
and genuine signatures of property owners residing within
the proposed area, LAVALETTE Public Service District of
Wayne and Cabell Counties, State of West Virginia.

Given under my hand this 23 day of December
1964.

Kurt G. Goble
Notary Public in and for the
County of Wayne, State of
West Virginia

My commission expires July 25, 1966.

A RESOLUTION setting forth rules of procedure for the Public Service Board of the Lavalette Public Service District; fixing the time and place of the meetings of said Board and the manner in which special meetings may be called.

BE IT AND IT IS HEREBY RESOLVED BY THE PUBLIC SERVICE BOARD OF THE LAVALETTE PUBLIC SERVICE DISTRICT, WAYNE AND CABELL COUNTIES, WEST VIRGINIA, AS FOLLOWS:

Section 1. Regular meetings of The Public Service Board of the Lavalette Public Service District shall be held without notice at 4208 - 5th. Street Road in Lavalette, West Virginia, on the third Tuesday of each month, at 7:30 P.M., unless the same shall be a legal holiday, in which event said meeting shall be held on the next succeeding secular day.

Section 2. The first regular meeting in January, 1965, and the first regular meeting in January on each succeeding year shall be the annual organizational meeting, at which time a chairman shall be selected from the members of The Board and a secretary and treasurer shall be appointed.

Section 3. The Chairman of The Public Service Board may, when he deems it expedient and shall, upon the written request of two members of The Board, call a special meeting of The Board for the purpose of transacting any business designated in the call. The call for a special meeting may be delivered to each member of The Board or may be mailed to the business or home address of each member of The Board at least two days prior to the date of such special meeting. At such special meeting no business shall be considered other than as designated in the call, but if all the members of The Board are present at a special meeting, any and

all business may be transacted at such special meeting.

Section 4. A majority of the members of The Board shall constitute a quorum for the purpose of conducting the business and exercising the powers of The District and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by The Board upon a vote of a majority of the members of said Board.

Section 5. 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. New business
8. Adjournment

Section 6. All resolutions shall be in writing and shall be copied in a journal of the proceedings 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.

On motion and vote the meeting adjourned.

J. A. Rowe
/s/ J. A. Rowe, Chairman

ATTEST: *Harry W. Smith*
/s/ Harry W. Smith, Secretary

Dated: December 7, 1964

STATE OF WEST VIRGINIA }
COUNTY OF WAYNE } ss:

I, Harry W. Smith, do hereby certify that I am the duly qualified and acting Secretary of The Public Service Board of the Lavalette Public Service District, Wayne and Cabell Counties, West Virginia.

I further certify that the above and foregoing is a true and correct copy of the minutes of a meeting of said Public Service Board held on the 7th. day of December, 1964, and of a resolution adopted at said meeting, as said minutes and resolution are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my official signature and affixed the seal of said Public Service District this the 30th. day of May, 1965.

Harry W. Smith, Secretary
Harry W. Smith

(SEAL)

LAVALETTE PUBLIC SERVICE DISTRICT
WAYNE AND CABELL COUNTIES, WEST VIRGINIA
PUBLIC WATER SYSTEM

PROPOSED NEW DISTRICT BOUNDARIES

The Lavalette Public Service District shall be as follows:

Beginning at a point having a latitude of North $38^{\circ} 23' 29''$
and a longitude of West $82^{\circ} 27' 34''$;

Thence due east 0.71 mile to a point having a latitude of North
 $38^{\circ} 23' 29''$ and a longitude of West $82^{\circ} 26' 47''$;

Thence due South 0.91 mile to a point having a latitude of North
 $38^{\circ} 22' 41''$ and a longitude of West $82^{\circ} 25' 47''$;

Thence South $68^{\circ} 37'$ East 1.05 miles to a point having a latitude
of North $38^{\circ} 22' 21''$ and a longitude of West $82^{\circ} 25' 12''$;

Thence North $76^{\circ} 05'$ East 1.57 miles to a point having a
latitude of North $38^{\circ} 22' 41''$ and a longitude of West $82^{\circ} 24' 01''$;

Thence due South 7.99 miles to a point having a latitude of North
 $38^{\circ} 15' 43''$ and a longitude of West $82^{\circ} 24' 01''$;

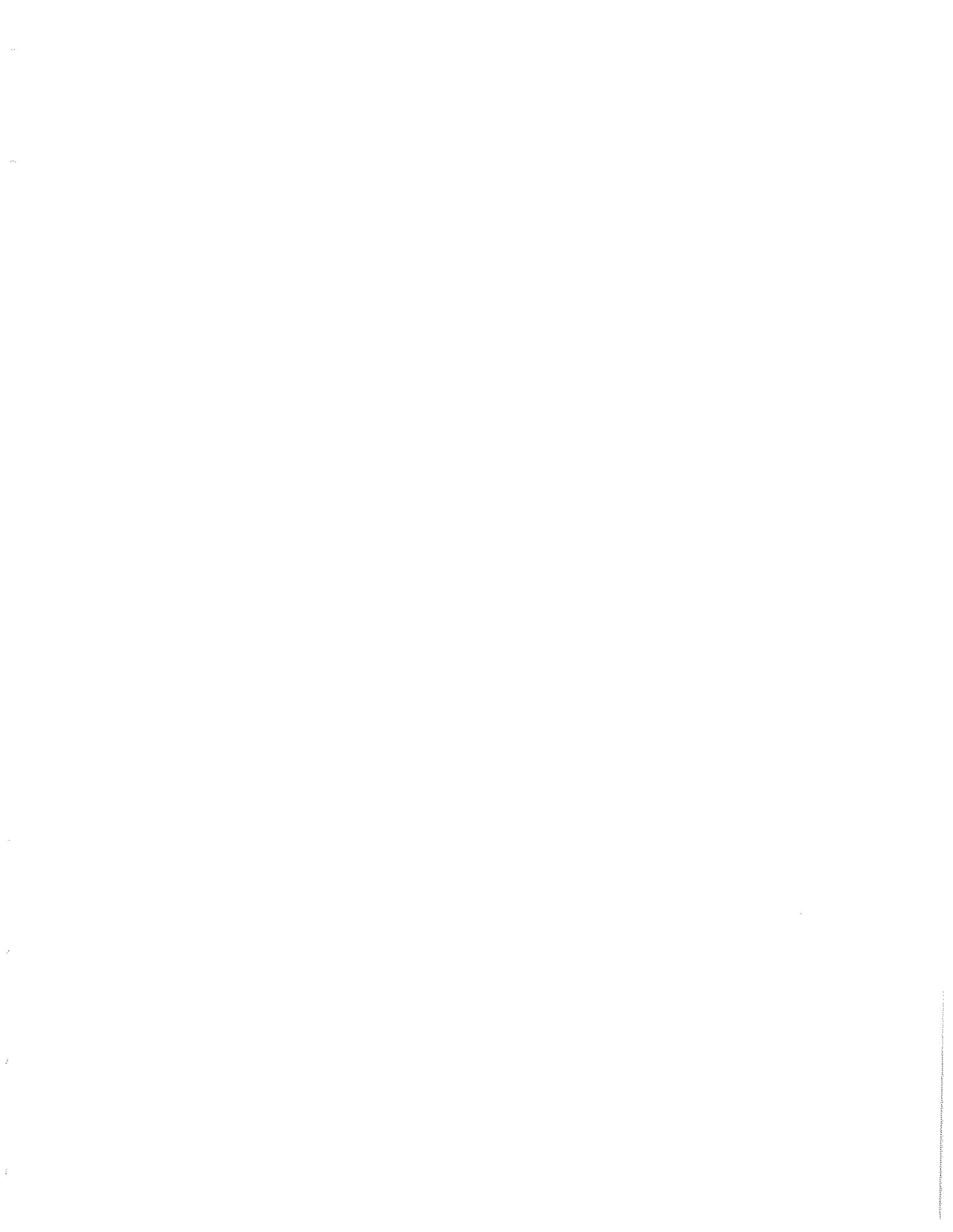
Thence due West 5.27 miles to a point having a latitude of North
 $38^{\circ} 15' 43''$ and a longitude of West $82^{\circ} 29' 52''$;

Thence due North 7.41 miles to a point having a latitude of North
 $38^{\circ} 22' 12''$ and a longitude of West $82^{\circ} 29' 52''$;

Thence due East 2.07 miles to a point having a latitude of
North $35^{\circ} 22' 12''$ and a longitude of West $82^{\circ} 27' 34''$;

Thence due North 1.49 miles to the point of beginning and con-
taining 41.12 square miles all within the Union, West Moreland, and
Ceredo Magisterial Districts, Wayne County, West Virginia and the
Guyandotte Magisterial District, Cabell County, West Virginia, and as
shown upon map prepared by J. H. Milam, Inc., Consulting Engineers,
1214 Myers Avenue, Dunbar, West Virginia

7/13/71





County Commission of Wayne County

P.O. Box 248

Wayne, West Virginia 25570

Phone 304-272-6350 • Fax 304-272-6348

Charles E. Sammons, President • James H. Booton, Commissioner • Rick Wellman, Commissioner

July 6, 2007

Bill Willis, Secretary/Treasurer
Lavalette Public Service District
5308 WV Rt. 152
Lavalette, WV 25535

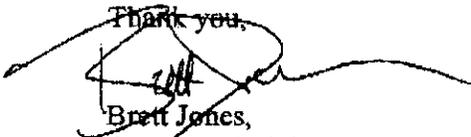
RE: Reappointment of Michael Blatt and Dennis Lyons

Dear Mr. Willis:

At a regular meeting of the Wayne County Commission, the Commission voted to reappoint Michael Blatt for a term of six years beginning February 1, 2007 to January 31, 2013 and Dennis Lyons for a term of six years beginning March 19, 2007 to March 18, 2013.

Thank you for your hard work and diligence in providing clean sanitary water to the District.

Thank you,


Brett Jones,
County Administrator



County Commission of Wayne County

P.O. Box 248

Wayne, West Virginia 25570

Phone 304-272-6350 • Fax 304-272-6348

Charles E. Sammons, President • James H. Booton, Commissioner • Rick Wellman, Commissioner

December 20, 2005

Lavalette Public Service District
Dennis Lyons, Chairman
5308 Route 152
Lavalette, WV 25535

Dear Mr. Lyons:

Please be advised, during a regular session of the Wayne County Commission on Monday, December 19th, 2005, a motion was made and duly seconded to re-appoint William Willis to serve another 6 (six) year term on the Lavalette Public Service District Board.

Mr. Willis' new term will be effective from 11-13-05 to 11-13-11.

Should you have any questions concerning this appointment, please advise.

Kindest Regards,

A handwritten signature in cursive script that reads "Lori Justice".

Lori Justice
Administrative Secretary
Wayne County Commission

Cc: file

At a Regular Session of the Wayne County Commission held on Thursday, December 19, 2005.

Present: Charles Sammons President
Jim Booton Commissioner
Rick Wellman Commissioner

=====

Meeting called to order by President Sammons at 10:15 a.m.

=====

Motion by Commissioner Wellman to approve the exonerations, appointments made in Vacation, invoices and minutes of 12/12/05. Motion seconded by Commissioner Booton. Unanimous vote.

=====

Motion by Commissioner Booton to offer the position of custodian at the Extension Office to a contracted vendor at \$170.00 per month. Motion seconded by Commissioner Wellman. Unanimous vote.

=====

Motion by Commissioner Wellman to approve Budget Revision #5 for the General County Fund. Motion seconded by Commissioner Booton. Unanimous vote.

=====

William Harold Shannon, Estate: Present: Pamela Willis represented by Attorney Paul Ryker, Mike Shannon, William P. Shannon and Roy P. Shannon.

Attorney Paul Ryker came before the Commission representing Pam Willis, daughter of William Harold Shannon. Mr. Ryker stated that Loretta Shannon, Wife of William Harold Shannon, is not physically able to fulfill her duties. Mr. Ryker is asking that the Commission accept her petition to be appointed over the estate.

=====

Motion by Commissioner Booton for a five minute recess at 11:20 a.m. Motion seconded by Commissioner Wellman.

Motion by Commissioner Booton to reconvene at 11:25 a.m. Motion seconded by Commissioner Wellman.

=====

Motion by Commissioner Booton to accept the Order as entered by Attorney Paul Ryker appointing Pam Willis over the estate of William Harold Shannon. Motion seconded by Commissioner Wellman. Unanimous vote.

=====

Motion by Commissioner Wellman to re-appoint Mr. William W. Willis to the Lavalette Public Service District Board for a term of six years starting November 13, 2005. Motion seconded by Commissioner Booton. Unanimous vote. ✓

=====

Kenneth Ray Starky, Sr., Estate: Present: Dorothy Followay represented by Attorney Paul Ryker.

Motion by Commissioner Wellman to remove Kenneth Starky, Jr. and appoint Dorothy Followay as Administratrix over the estate of Kenneth Ray Starky, Sr. Motion seconded by Commissioner Booton. Unanimous vote.



LAVALETTE
308 Rt. 152
Lavalette, WV 25535

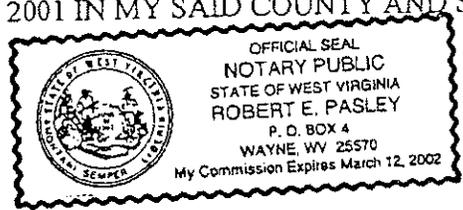
WAYNE COUNTY COMMISSION
Recorded Clerk 20
Dte/Time Re 03/20/2001 14:41:16
Inst #: 98985
Type: DATH 0
Book/Page 2- / 65-
Total Recd 2.50 .00

I SOLEMNLY SWEAR (OR AFFIRM) THAT I WILL SUPPORT THE
CONSTITUTION OF THE UNITED STATES OF AMERICA, THE CONSTITUTION
OF THE STATE OF WEST VIRGINIA, AND I WILL FAITHFULLY DISCHARGE
MY DUTIES AS BOARD MEMBER FOR THE LAVALETTE PUBLIC SERVICE
DISTRICT, WAYNE COUNTY, WEST VIRGINIA TO THE BEST OF MY SKILL
AND JUDGMENT, SO HELP ME GOD.

Dennis Lyons
SIGNATURE
Mar 20, 2001
DATE

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

SUBSCRIBED BEFORE ME A NOTARY PUBLIC ON THIS 20TH DAY OF MARCH,
2001 IN MY SAID COUNTY AND STATE.



Robert E. Pasley
NOTARY PUBLIC
MY COMMISSION EXPIRES 3/12/02
BOOK 2
PAGE 65

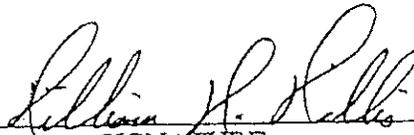
Office of the Clerk of County Commission
Wayne County, West Virginia
The foregoing writing was this day presented in my
office, and thereupon together with the certificate annexed,
is admitted to record.

Robert E. Pasley, Clerk
A. I. P. N.

WAYNE COUNTY COMMISSION
Recorded Clerk 20
Dte/Time Re 03/20/2001 14:42:23
Inst #: 98986
Type: OATH 0
Book/Page 2- / 66-
Total Recd 2.50 .00

BOOK 2
PAGE 66

I SOLEMNLY SWEAR (OR AFFIRM) THAT I WILL SUPPORT THE
CONSTITUTION OF THE UNITED STATES OF AMERICA, THE CONSTITUTION
OF THE STATE OF WEST VIRGINIA, AND I WILL FAITHFULLY DISCHARGE
MY DUTIES AS BOARD MEMBER FOR THE LA VALETTE PUBLIC SERVICE
DISTRICT, WAYNE COUNTY, WEST VIRGINIA TO THE BEST OF MY SKILL
AND JUDGMENT, SO HELP ME GOD.

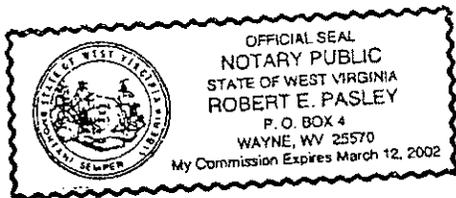


SIGNATURE
3/20/2001

DATE

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

SUBSCRIBED BEFORE ME A NOTARY PUBLIC ON THIS 20TH DAY OF MARCH,
2001 IN MY SAID COUNTY AND STATE.

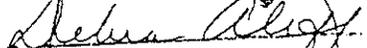




NOTARY PUBLIC
MY COMMISSION EXPIRES 3/12/02

Office of the Clerk of County Commissions
Wayne County, West Virginia

The foregoing writing was this day presented to my
office, and thereupon together with the certificate attached
is admitted to record.

 Clerk
 Deputy

WAYNE COUNTY COMMISSION
Recorded Clerk 20
Dte/Time Re 12/21/2001 11:51:18
Inst #: 106563
Type: OATH 0
Book/Page 2- / 68-
Total Recd .00 .00

BOOK 2
PAGE 68

I SOLEMNLY SWEAR (OR AFFIRM) THAT I WILL SUPPORT THE
CONSTITUTION OF THE UNITED STATES OF AMERICA, THE CONSTITUTION
OF THE STATE OF WEST VIRGINIA, AND I WILL FAITHFULLY DISCHARGE
MY DUTIES AS BOARD MEMBER OF THE LA VALETTE PUBLIC SERVICE
DISTRICT, LA VALETTE, WEST VIRGINIA TO THE BEST OF MY SKILL AND
JUDGMENT, SO HELP ME GOD.

DEC 21 2001

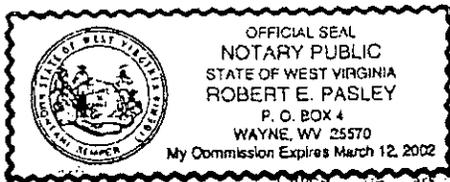
Robert E. Pasley

Michael A. Blatt
SIGNATURE

21 Dec 01
DATE

STATE OF WEST VIRGINIA,
COUNTY OF WAYNE, TO-WIT,

SUBSCRIBED BEFORE ME, A NOTARY PUBLIC, ON THE 21ST DAY OF
DECEMBER, 2001 IN MY AFORESAID COUNTY AND STATE. MY COMMISSION
EXPIRES MARCH 12, 2002.



Robert E. Pasley
NOTARY PUBLIC

Office of the Wayne County Commission
Wayne County, West Virginia

The foregoing writing was this day presented in my
office, and thereupon together with the certificate
annexed, is admitted to record.

DEC 21 2001

Robert E. Pasley Clerk
Debra A. [Signature] Deputy

RULES OF PROCEDURE
LVALETTE PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: LVALETTE PUBLIC SERVICE DISTRICT.

Section 2. The principal office of this Public Service District will be located at 5308 Rt. 152, Lavalette, Wayne County, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Lavalette Public Service District, and in the center "seal" as follows:

Section 4: The fiscal year of the District shall begin on July 1 of each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Wayne County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the _____ of each month, at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise agreed, notice to members of regular meetings shall not be required. Unless otherwise waived, notice of each special meeting of the membership shall be given to all members by the Secretary by fax, telephone, mail or other satisfactory means at least 3 days before the date fixed for such special meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended (1999 Revision), notice of the date, time, place and agenda of all regularly scheduled meetings of such Public Service Board, and the date, time, place and purpose of all special meetings of such Public Service Board, shall be made available, in advance, to the public and news media (except in the event of an emergency requiring immediate action) as follows:

A. Regular Meetings. A notice shall be posted and maintained by the Secretary of the Public Service Board of the Public Service District at the front door or bulletin board of the Wayne County Courthouse and at the front door or bulletin board of the place fixed for regular meetings of the Public Service Board of the date, time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same locations by the Secretary of the Public Service Board not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the same locations as soon as feasible after such cancellation or postponement has been determined.

B. Special Meetings. A notice shall be posted by the Secretary of the Public Service Board at the front door or bulletin board of the Wayne County Courthouse and at the front door or bulletin board of the place fixed for the regular meetings of the Public Service Board not less than 72 hours before a special meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is cancelled, a notice of such cancellation shall be posted at the same locations as soon as feasible after such cancellation has been determined.

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, a Secretary and a Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. The Chairman shall, together with the Secretary, sign the minutes of all meetings at which he or she shall preside. The Chairman shall attend generally to the executive business of the Board and exercise such powers as may be conferred by the Board, by these Rules of Procedure, or as prescribed by law. The Chairman shall execute, and if necessary, acknowledge for record, any

deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. The Secretary shall, together with the Chairman, sign the minutes of the meetings at which he or she is present. The Secretary shall have charge of the minute book, be the custodian of the Common Seal of the District and all deeds and other writings and papers of the Board. The Secretary shall also perform such other duties as he or she may have under law by virtue of the office or as may be conferred from time to time by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 3. The Treasurer shall be the lawful custodian of all funds of the District and shall disburse funds of the District on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board, these Rules of Procedure or as prescribed by law.

Section 4. If the Chairman, Secretary or Treasurer is absent from any meeting, the remaining members of the Board shall select a temporary chairman, secretary or treasurer, as necessary, who shall have all of the powers of the absent officer during such period of absence.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

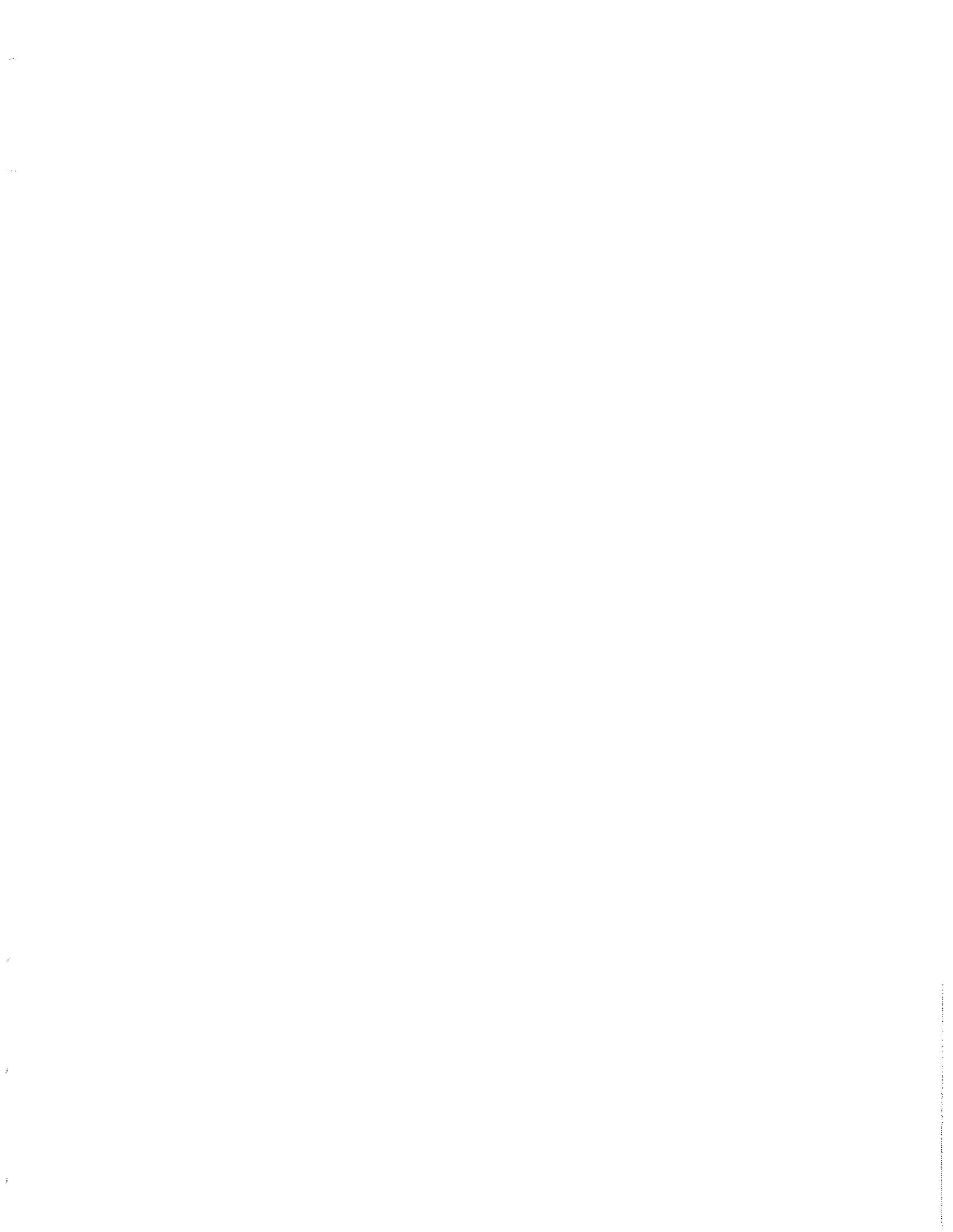
These Rules of Procedure may be altered, changed, amended, repealed or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment, repeal or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment, repeal or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

These Rules of Procedure shall replace any and all previous rules of procedure, bylaws or similar rules heretofore adopted by the District.

Adopted this 18th day of October, 2004.

10/05/04
509380.00001

CH707264.1



Lavalette Public Service District

5308 Rt. 152
LAVALETTE, WEST VIRGINIA 25535
(304) 525-3771

The Lavalette Public Service District Board met in regular session July 17, 2007 at 8:30 A.M. Present were Dennis Lyons, Mike Blatt, Bill Willis, Toni Shepard and Darrell Wellman.

The meeting was called to order by Dennis Lyons, Chairman.

The meeting was opened with prayer by Dennis Lyons.

OLD BUSINESS

The minutes were read and approved. Financial reports and invoices to be paid were reviewed and approved. The *June 29, 2007* balances were as follows:

O & M Account	\$ 7,737.58	
Revenue Fund	\$ 4,284.57	
Reserve Account	\$ 9,041.75	(15,264 Savings)
Bond Debt Reserve	\$21,962.63	(20,461 Savings)
Security Deposit Acct.	\$72,819.09	(44,885 Savings)
Truck Replacement Acct.	\$ 6,450.68	
Construction Acct.	\$44,952.61	

Toni provided the Board with a list of accounts payable including the check number, vendor, amount of check, and amount paid year-to-date.

Darrell submitted to the Board a 2006-07 budget with the month of *June* totals, year-to-date total, and a current % of total budget.

Darrell submitted a *Water Loss Reports* for the period 4-30-07 to 5-31-07.

Lavalette System Unaccounted for water for the period was 13.02%.

Prichard System Unaccounted for water for the period was 9.63%

The combined *Fiscal Year to Date* average is 12.25%.

Darrell submitted a Managers Report covering the period 5-1-07 to 5-31-07.

There were no thefts of utilities this month.

The Board reviewed the construction check book and balances.

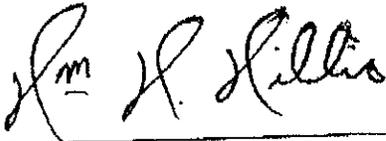
NEW BUSINESS

Darrell told the Board of an offer by WV American Water to sell us water at \$1.50 per thousand with signing of a new, 20 yr. contract. He presented copies to the Board. The Board discussed the terms and conditions and are waiting for Bob Rodecker to review this proposed agreement. We will continue to investigate this possibility.

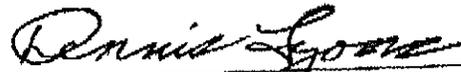
Darrell told the Board of special circumstances where salary employees have been called out to assist in times of emergencies. Most recently out of necessity, office personnel have been used to flag. This presents a problem with paying salary employees for this limited emergency call out use. After discussion, Mike made a motion to pay salary employees at the rate of 1 ½ times their average hourly rate for special emergency call out time. Bill seconded the motion, motion carried.

The annual Board elections were inadvertently forgotten in January, so the Board held its annual election of officers at this meeting. After some discussion, Mike made a motion to keep the same officers for the year 2007, Dennis as Chairman and Bill as Sec. / Treas. Bill seconded the motion. Motion unanimously carried.

Meeting Adjourned at 9:47 am.



BILL WILLIS, SECRETARY



DENNIS LYONS, CHAIRMAN



LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

EXCERPT OF MINUTES ON ADOPTION OF BOND RESOLUTION,
SUPPLEMENTAL RESOLUTION AND
FIRST DRAW RESOLUTION

The undersigned SECRETARY of the Public Service Board of Lavalette Public Service District hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Public Service Board:

The Public Service Board of Lavalette Public Service District met in regular session, pursuant to notice duly posted, on the 21st day of August, 2007, in Lavalette, Wayne County, West Virginia, at the hour of 8:30 A.M.

PRESENT: Dennis Lyons
William Willis
Michael Blatt

ABSENT: NONE

Dennis Lyons, Chairman, presided, and William Willis, acted as Secretary. The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE DESIGN OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LAVALETTE PUBLIC SERVICE DISTRICT AND THE FINANCING A PORTION OF THE COSTS, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$200,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS;

AUTHORIZING THE SALE AND PROVIDING FOR THE
TERMS AND PROVISIONS OF SUCH BONDS AND
ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by William Willis and seconded by Michael Blatt, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Chairman presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATERWORKS SYSTEM DESIGN REVENUE BONDS, SERIES 2007 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF LAVALETTE PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Michael Blatt and seconded by William Willis, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

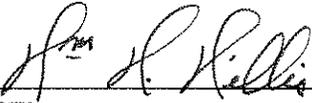
Thereupon, the Chairman presented First Draw Resolution for consideration and there was discussion. Thereupon, on motion duly made by Michael Blatt and seconded by William Wilson, it was unanimously ordered that the said First Draw Resolution be adopted and be in full force and effect on and from the date hereof

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of Lavalette Public Service District and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 28th day of August, 2007.


Secretary

509380.00004

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

NEW ISSUE REPORT FORM

Date of Report: August 28, 2007

(See Reverse for Instructions)

ISSUE: Lavalette Public Service District, Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ADDRESS: 5802 Route 152, Lavalette, West Virginia 25535 COUNTY: Wayne

PURPOSE OF ISSUE: New Money: X
Refunding: _____ REFUNDS ISSUE(S) DATED: NA

ISSUE DATE: August 28, 2007 CLOSING DATE: August 28, 2007

ISSUE AMOUNT: \$ 200,000 RATE: 0%

1ST DEBT SERVICE DUE: June 1, 2008 1ST PRINCIPAL DUE: June 1, 2008

1ST DEBT SERVICE AMOUNT: \$ 2,500 PAYING AGENT: WV Municipal Bond Commission

BOND COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump, Esq.
Phone: 304.353.8196

UNDERWRITERS COUNSEL: Jackson Kelly PLLC
Contact Person: Samme L. Gee, Esq.
Phone: 304.340.1318

CLOSING BANK: United Bank, Inc.
Contact Person: Faye Cox
Phone: 304.781.2351

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Darrell Wellman
Position: Manager
Phone: 304.525.3771

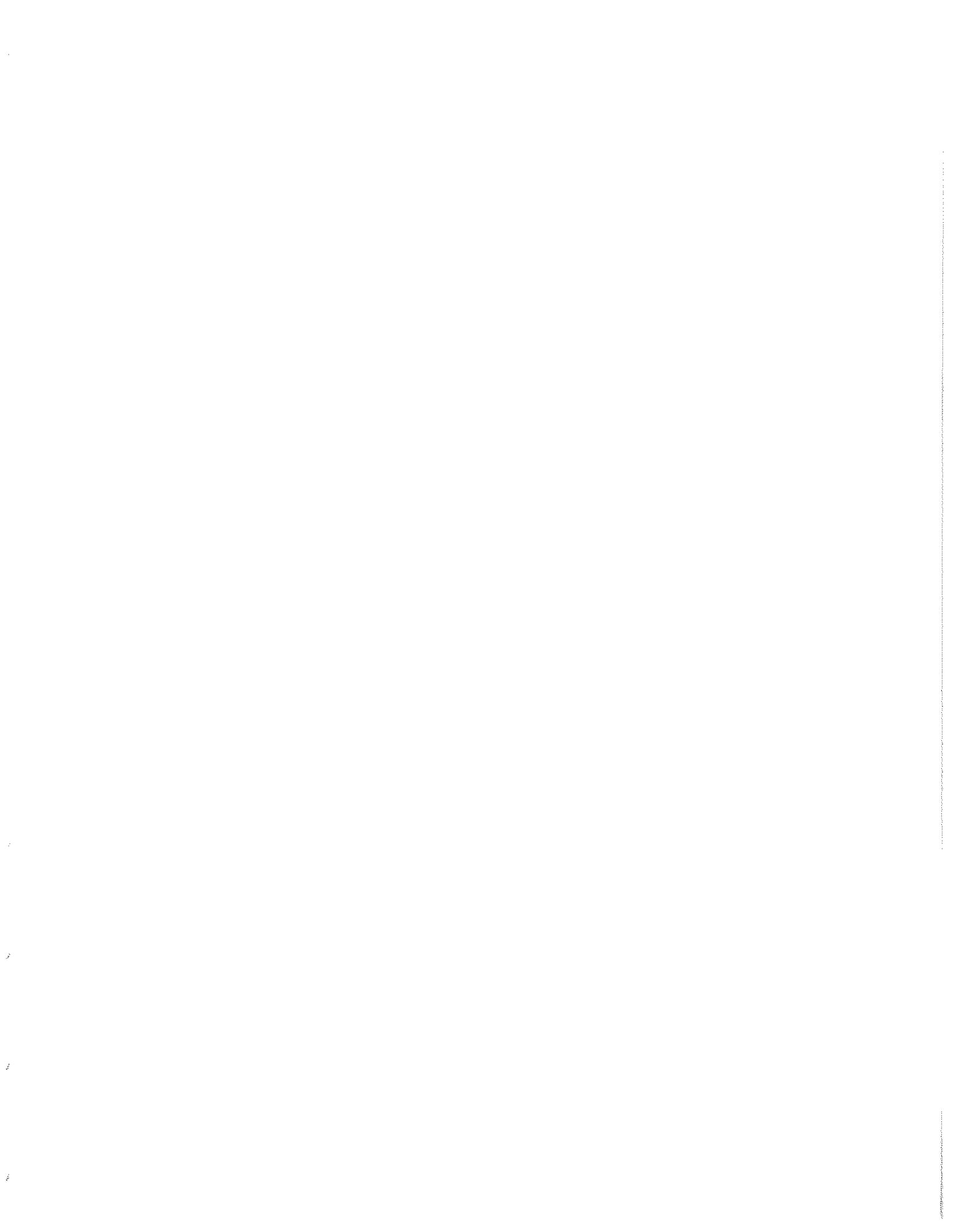
OTHER: Infrastructure and Jobs Development Council
Contact Person: Jefferson Brady, P.E.
Function: Executive Director
Phone: 304.558.4607

DEPOSITS TO MBC AT CLOSE:
By: _____ Wire _____
_____ Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
Reserve Account: \$ _____
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire _____ To Escrow Trustee: \$ _____
_____ Check _____ To Issuer: \$ _____
_____ IGT _____ To Cons. Invest. Fund: \$ _____
_____ To Other: _____ \$ _____

NOTES: The Series 2007 A Bonds Reserve Account will be funded over 10 years.

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



LAVALETTE PUBLIC SERVICE DISTRICT

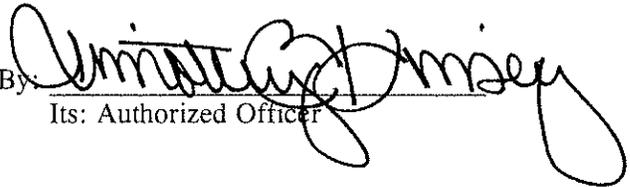
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

United Bank, Inc, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution of Lavalette Public Service District (the "Issuer") adopted August 21, 2007, and the Supplemental Resolution of the Issuer adopted August 21, 2007 (collectively, the "Resolution"), authorizing issuance of the Issuer's Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated August 28, 2007, issued in the principal amount of \$200,000 (collectively, the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Resolution.

WITNESS my signature on this 28th day of August, 2007.

UNITED BANK, INC.

By: 
Its: Authorized Officer

06.20.07
509380.00004



LAVALETTE PUBLIC SERVICE DISTRICT

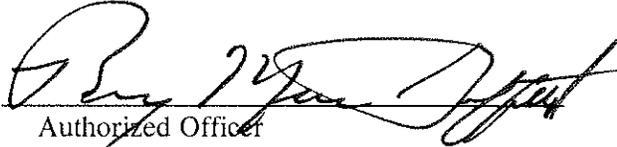
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

The Huntington National Bank, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Lavalette Public Service District Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), dated August 28, 2007, issued in the principal amount of \$200,000 (collectively, the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Resolution authorizing issuance of the Bonds.

WITNESS my signature on this 28th day of August, 2007.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

06.20.07
509380.00004

LAVALETTE PUBLIC SERVICE DISTRICT

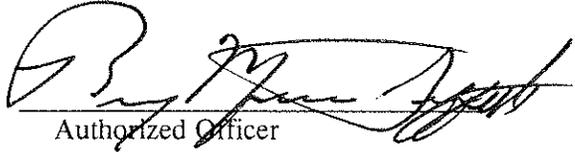
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

The Huntington National Bank, Charleston, West Virginia, as Registrar under the Resolution and Registrar's Agreement providing for the above-captioned Bonds of Lavalette Public Service District (the "Issuer"), hereby certifies that on the date hereof the single, fully registered Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund), of the Issuer, dated August 28, 2007, in the principal amount of \$200,000, numbered AR-1, was registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 28th day of August, 2007.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

509380.00004

LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 28th day of August, 2007, by and between LAVALETTE PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$200,000 Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) dated August 28, 2007, and in fully registered form (the "Bonds"), pursuant to the Bond Resolution of the Issuer duly adopted August 21, 2007, and the Supplemental Resolution of the Issuer duly adopted August 21, 2007 (collectively, 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 an appointment by the Issuer of a Registrar for the Bonds; 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 Registrar for the Bonds, all as set forth in the Resolution, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest, if any, on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the 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 60 days written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Lavalette Public Service District
5208 Route 152
Lavalette, West Virginia 25535
Attention: Chairperson

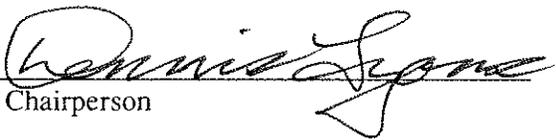
REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Resolution.

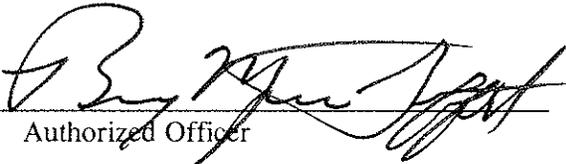
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IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

LAVALETTE PUBLIC SERVICE
DISTRICT

By: 
Its: Chairperson

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

509380.00004

EXHIBIT A

Resolution included in bond transcript as Documents Nos. 1 and 2.

SCHEDULE OF COMPENSATION

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633



STATEMENT OF TRUSTEE'S FEES
Invoice Date August 28, 2007

Lavalette Public Service District
Account Number 6089001809

Lavalette Public Service District
Waterworks System Design Revenue Bonds, Series 2007 A
C/o John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

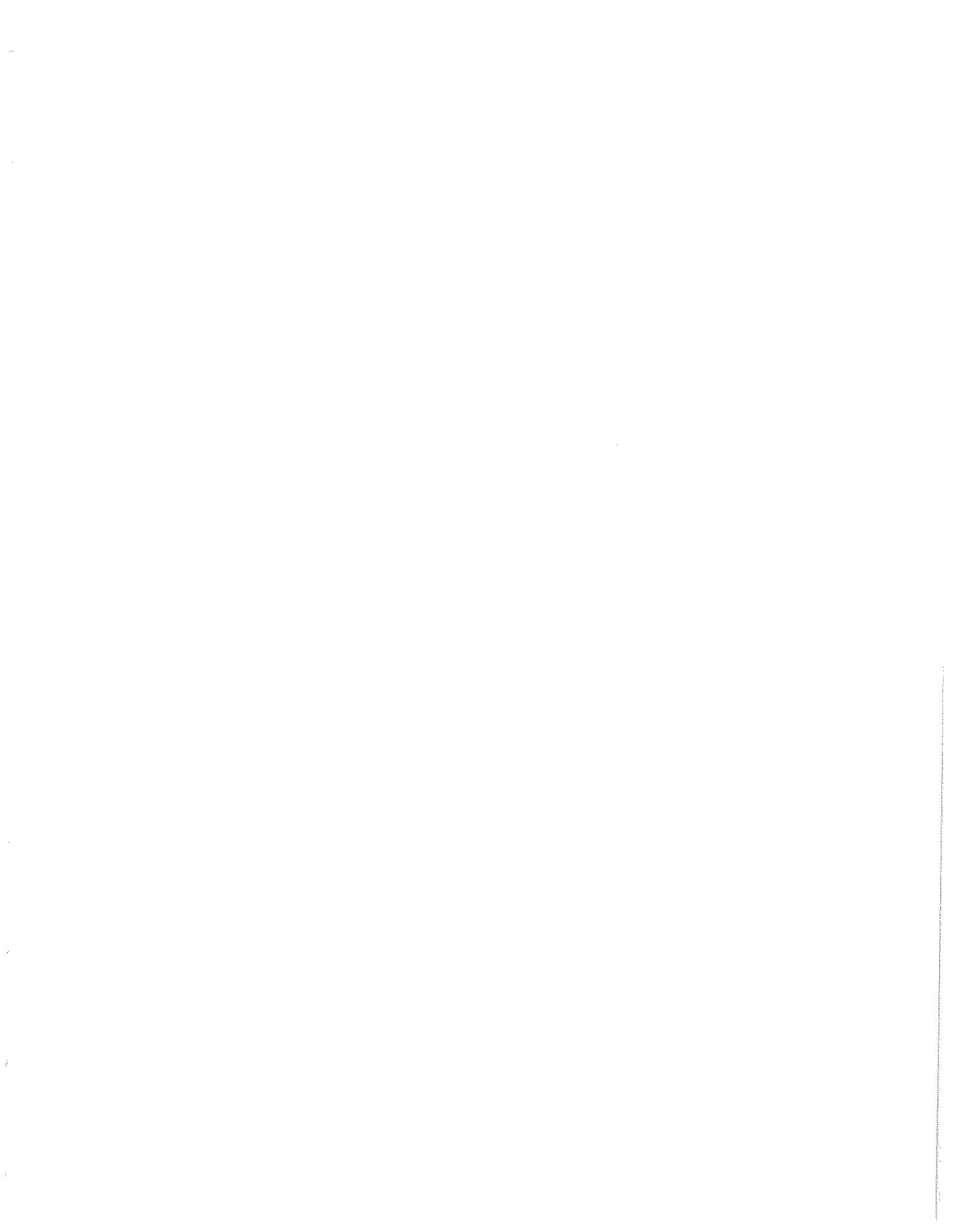
SUMMARY OF ACCOUNT

FEE CALCULATION FOR August, 2007

TOTAL AMOUNT	\$	500.00
TOTAL DUE	\$	<u>500.00</u>

- * FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
- * IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
- * .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
- * .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035





LAVALETTE PUBLIC SERVICE DISTRICT

\$370,000 Waterworks Revenue Bonds,
Series 1972

BOND RESOLUTION

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LAVALETTE PUBLIC SERVICE DISTRICT

RESOLUTION ORDERING AND AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONAL WATER FACILITIES FOR LAVALETTE PUBLIC SERVICE DISTRICT AND THE ISSUANCE OF \$370,000 WATERWORKS REVENUE BONDS, SERIES 1972, ON A PARITY WITH THE WATER-WORKS SYSTEM REVENUE BONDS, SERIES A, OF THE DISTRICT

WHEREAS, Lavalette Public Service District (herein called the "District"), in Wayne and Cabell Counties, West Virginia, has heretofore been duly created and is now organized and operating as a public corporation and a political subdivision of the State of West Virginia under the provisions of Article 13A of Chapter 16 of the Official West Virginia Code of 1931, as amended and supplemented (herein called the "Act"), and the Public Service Board of the District (herein called the "Board") has heretofore been organized and is now functioning as the governing body of the District, having the duties, powers and authority as provided by the Act; and

WHEREAS, the Public Service Board of the District has heretofore authorized and constructed water facilities within the District to supply water for public and private uses within the District and has heretofore financed the same by issuance of the Water-Works System Revenue Bonds, Series A, of the District, dated June 24, 1966, in the aggregate principal amount of \$486,000, bearing interest at the rate of 3-3/4% per annum, represented by fully registered bonds, now held or insured by the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "1966 Bonds"), as provided in the resolution of the Board adopted June 24, 1966 (herein called the "1966 Resolution"); and

WHEREAS, under the provisions of the Act and the 1966 Resolution, the District is authorized and empowered to construct and operate additions, extensions and improvements to said water facilities and to issue additional bonds on a parity with the 1966 Bonds; and

WHEREAS, this Board now desires to authorize the acquisition and construction of additional water facilities and to provide for the financing thereof by the issuance of additional bonds on a parity with the 1966 Bonds as hereinafter provided;

NOW, THEREFORE, be it and it is hereby resolved by the Public Service Board of Lavalette Public Service District:

ARTICLE I

FINDINGS, PROVISIONS AS TO 1966
RESOLUTION AND DEFINITIONS.

Section 1.1. Findings. It is hereby found to be necessary and essential that the District construct and acquire additions, extensions and improvements for the water distribution system owned by the District, briefly described as the acquisition, construction and installation of an extension and an enlargement of said water distribution system to serve additional customers, with necessary appurtenant facilities, all in accordance with, and more particularly described in the plans and specifications therefor prepared by J. H. Milam, Inc., Consulting Engineers, of Dunbar, West Virginia, now on file with the Secretary of the Board, at the estimated cost of \$450,000 (such additions to said water distribution system being herein called the "Project"), of which estimated cost \$370,000 will be provided by the 1972 Bonds and \$80,000 by a grant from the Government. Such cost shall include the cost of acquisition, construction and installation of such additions, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon temporary construction financing during construction and for six months after completion of the Project; fees and expenses of engineers, fiscal agents and attorneys; expenses for estimates of cost and of revenues; expenses for plans, specifications and surveys; other expenses necessary or incidental to determining the feasibility or practicability of the Project; administrative expenses and such other expenses as may be necessary or incidental to the financing hereby authorized and the construction, acquisition

and placing in operation of the Project (all such costs being herein called "Project Costs").

Section 1.2. 1966 Resolution Applies. The 1972 Bonds shall be on a parity with the 1966 Bonds. Accordingly, the 1966 Resolution is hereby incorporated herein by reference and shall be read as a part hereof, subject to the provisions hereof as to the Project and as to the details of the 1972 Bonds as herein provided.

Section 1.3. Definitions. All terms used in this Resolution shall have the same meanings as defined in the 1966 Resolution unless otherwise expressly provided. The following terms, as used herein, shall have the following meanings:

"Act" means Chapter 16, Article 13A of the West Virginia Code.

"1966 Bonds" means the Water-Works System Revenue Bonds, Series A, of the District dated June 24, 1966, and as described in the preambles hereof.

"1972 Bonds" means the Waterworks Revenue Bonds, Series 1972, in the aggregate principal amount of \$370,000, of the District hereby authorized and the interest coupons appertaining thereto.

"Bonds" means collectively the 1972 Bonds and the 1966 Bonds and any additional bonds issued on a parity with the 1966 Bonds and the 1972 Bonds and the interest coupons appertaining to any of such Bonds.

"Government" means Farmers Home Administration of the United States Department of Agriculture.

"Project" means the additions, extensions and improvements to the water distribution system of the District hereby authorized and described in Section 1.1 above.

"Project Costs" means all costs of the Project as defined of Section 1.1 above.

"1966 Resolution" means the Bond Authorizing Resolution adopted by the Public Service Board of the District on June 24, 1966, authorizing issuance of the 1966 Bonds.

"System" means the water distribution system of the District as expanded by the Project and all additions thereto and improvements thereof and all facilities, properties and accounts appertaining thereto, both now existing and hereafter added.

ARTICLE II

COMPLIANCE WITH 1966 RESOLUTION FOR
ISSUANCE OF ADDITIONAL PARITY BONDS

Section 2.1. Statement of Compliance. The Board hereby declares and certifies that all requirements and provisions, expressed and implied, for the issuance of additional parity bonds as set out in Section 14 of the 1966 Resolution have been accomplished, completed and complied with, including, but not limited to, the following:

(A) The District has received and has on file with the Secretary of the Board the written approval of the State Director of Farmers Home Administration for the issuance of the 1972 Bonds on a parity with the 1966 Bonds.

(B) The 1972 Bonds are to be issued for the purpose of financing the costs of construction and acquisition of extensions, additions and improvements to the System.

(C) The District has entered into written contracts for the immediate acquisition and construction of the additions, extensions or improvements to the System which are to be financed by the 1972 Bonds.

(D) The District covenants and agrees that it will comply fully with all the increased payments into the various funds established by the 1966 Resolution as required by the issuance of the 1972 Bonds.

(E) The District is not and has not been in default as to any payments required by Section 13 of the 1966 Resolution for a period of not less than twenty-four months immediately preceding the date of adoption hereof and the date of issuance of the 1972 Bonds. The District has made all the payments into the respective funds as provided for in the 1966 Resolution,

and all other payments provided for therein have been or will be made as required to the date of issuance of the 1972 Bonds, and the District has complied and will continue to comply fully with all the covenants, agreements and terms of the 1966 Resolution.

(F) The net operating income of the District will be sufficient to pay all expenses of operation and maintenance of the System and the principal of and interest on the 1966 Bonds and the 1972 Bonds as they mature and become due and to meet all requirements of the 1966 Resolution as supplemented by this Resolution.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF 1972 BONDS

Section 3.1. Authorization of 1972 Bonds. Subject and pursuant to the provisions of this resolution, Bonds of the District, to be known as "Waterworks Revenue Bonds, Series 1972" are hereby authorized to be issued in the aggregate principal amount of not exceeding Three Hundred Seventy Thousand Dollars (\$370,000) for the purpose of financing part of the costs of the construction and acquisition of the Project.

Section 3.2. Description of 1972 Bonds. The 1972 Bonds may be issued in coupon or single, fully registered form, and shall be dated on the date of delivery. The 1972 coupon Bonds shall be in the denomination of \$1,000 each, shall be numbered in order of maturity, lowest number first, and shall bear interest, payable annually on January 1 of each year, at the rate or rates of not to exceed the rate of five per centum (5%) per annum and a net interest cost of not to exceed the rate of five per centum (5%) per annum. The minimum price for the 1972 Bonds shall be the par value thereof. Coupon and single, fully registered 1972 Bonds shall be exchangeable and interchangeable at the expense of the holder on 90 days' notice in writing to the District, provided that single, fully registered 1972 Bonds issued upon initial delivery of the 1972 Bonds by the District shall be exchangeable for coupon Bonds at the expense of the District.

The 1972 Bonds shall mature serially in numerical order, lowest numbers first, on January 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1975	\$ 3,000	1988	\$ 7,000	2001	\$12,000
1976	3,000	1989	7,000	2002	13,000
1977	3,000	1990	7,000	2003	13,000
1978	4,000	1991	7,000	2004	14,000
1979	4,000	1992	8,000	2005	15,000
1980	5,000	1993	8,000	2006	15,000
1981	5,000	1994	9,000	2007	17,000
1982	5,000	1995	9,000	2008	17,000
1983	5,000	1996	10,000	2009	18,000
1984	5,000	1997	10,000	2010	19,000
1985	6,000	1998	10,000	2011	20,000
1986	6,000	1999	11,000	2012	22,000
1987	6,000	2000	12,000		

The 1972 Bonds shall be redeemable prior to their respective stated dates of maturity at the option of the District, in whole or in part, in inverse numerical order on January 1, 1984, and on any January 1 thereafter at the price of the par value thereof and accrued interest to the date of redemption, subject to earlier redemption as provided herein or in the 1966 Resolution.

Any redemption of Bonds shall, to the extent feasible, be on an equal pro rata basis in ratio to the amount of the original issue of each series of parity Bonds.

Notice of the redemption of any of the 1972 Bonds shall be published in the City of New York, New York, and notice of any such redemption shall be sent by registered or certified mail to the holders of registered 1972 Bonds. If all 1972 Bonds to be redeemed are registered other than to bearer, no publication of such redemption need be made. Interest shall cease upon any of the 1972 Bonds so called for prior redemption on the date fixed for redemption, provided payment thereof has been duly made or provided for.

The 1972 Bonds shall be payable with respect to both principal and interest in lawful money of the United States of America at The Guaranty National Bank, at

Huntington, West Virginia, or at First National City Bank, New York, New York, at the option of the holder, unless otherwise provided in and for the single, fully registered Bond, and shall bear interest from their date, payable in accordance with and, as to coupon Bonds not registered as to interest, upon the surrender of the appurtenant interest coupons as they severally mature.

Section 3.3. Execution of 1972 Bonds and Coupons.

The 1972 Bonds shall be executed in the name of the District by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed any of the 1972 Bonds shall cease to be such officer before the 1972 Bonds so signed and sealed shall have been actually sold and delivered, such 1972 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 1972 Bond may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Bonds shall hold the proper office on the Board, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the 1972 Bonds shall be authenticated with the facsimile signatures of the present or any future Chairman and Secretary, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairman or Secretary at the time when such 1972 Bonds shall be actually sold and delivered.

Section 3.4. Negotiability and Registration. The 1972 Bonds in coupon form shall be and have all the qualities and incidents of negotiable instruments under the laws of the

State of West Virginia and shall pass by delivery except when registered. The 1972 Bonds in coupon form may be converted into Bonds registered as to both principal and interest in accordance with the provisions of the forms hereinafter provided.

Section 3.5. Bonds Secured by Pledge of Revenues.

The payment of the debt service of all the 1972 Bonds and the 1966 Bonds shall be secured forthwith equally and ratably by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds, and to make the payments into the Sinking Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.6. Forms of 1972 Bonds and Coupons.

Subject to the provisions of this resolution, the text of the 1972 Bonds, the provisions for registration to be endorsed thereon, the coupons, the single Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Coupon Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATERWORKS REVENUE BOND
SERIES 1972

No.

\$1,000

LAVALETTE PUBLIC SERVICE DISTRICT, a public service district in the Counties of Wayne and Cabell, State of West Virginia, and a public corporation and political subdivision of the State of West Virginia (herein called the "District"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered, to the registered holder as herein provided, on the first day of January, , from the revenues hereinafter mentioned, the principal sum of

ONE THOUSAND DOLLARS

with interest thereon at the rate of _____ per centum (%) per annum, payable on the first day of January of each year, upon the presentation and surrender of the annexed coupons as they severally fall due, unless this Bond be converted into a Bond registered as to both principal and interest. Both principal of and interest on this Bond are payable in lawful money of the United States of America at The Guaranty National Bank, at Huntington, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York.

The Bonds of the issue of which this Bond is one may be redeemed prior to their stated maturities, without premium, at the option of the District as a whole, or in part in inverse numerical order, on any January 1 beginning January 1, 1984, as provided in the resolutions hereinafter mentioned, subject to earlier redemption from moneys in the

Project Construction Account as provided in said resolutions. Notice of any such redemption shall be published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York, New York. Interest shall cease upon this Bond after the date fixed for redemption if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds (herein called the "1972 Bonds") in the aggregate principal amount of Three Hundred Seventy Thousand Dollars (\$370,000) of like date, tenor and effect, except as to number* and date of maturity issued to finance part of the cost of the construction and acquisition of additions, extensions and improvements to the waterworks of the District under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13A, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and a resolution duly adopted by the Public Service Board of the District.

The Bonds of the issue and series of which this Bond is one are on a parity with the Water-Works System Revenue Bonds, Series A, of the District dated June 24, 1966, initially issued in the aggregate principal amount of \$486,000 (herein called the "1966 Bonds"). The 1966 Bonds were issued pursuant to a resolution of the Board adopted June 24, 1966 (herein called the "1966 Resolution"), and the Bonds of the issue and series of which this Bond is one have been authorized and issued in full compliance with the 1966 Resolution.

* add, "interest rate" if more than one rate

Any redemption of the 1972 Bonds shall, to the extent feasible, be on an equal pro rata basis with the 1966 Bonds and other parity bonds in ratio to the amount of the original issue of each series.

This Bond and the coupons appertaining hereto and the 1966 Bonds and the coupons appertaining thereto are payable solely from, and secured by a first lien on and pledge of, the net revenues derived from the operation of said waterworks, with monthly payments from such revenues to be made into the Sinking Fund with the State Sinking Fund Commission for payment of the principal hereof and interest hereon, in the manner provided in said resolutions, and do not and shall not in any event constitute an indebtedness of the District within the meaning of any constitutional or statutory limitations, and the District shall never be obligated to pay this Bond or the interest hereon except from the revenues of said waterworks system, as provided in said resolutions. The District covenants with the holders of the Bonds of the issue and series of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and facilities of said waterworks, and to revise the same from time to time, whenever necessary, as will always provide revenues in each fiscal year sufficient to make the required payments into the Sinking Fund and the reserves and accounts as provided in said resolutions for the 1966 Bonds and the 1972 Bonds, and to pay all necessary expenses of operating and maintaining the said waterworks during each fiscal year, and the District has entered

Additional Bonds of a parity with this Bond and the Bonds of the issue and series of which this Bond is one, to

lien and source of and security for payment, may be issued under the provisions and restrictions contained in the 1966 Resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due form, time and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue and series of Bonds of which this Bond is one is not in violation of any constitutional or statutory limitation of indebtedness.

This Bond, under the provisions of the Act, is, and has all the qualities and incidents of, a negotiable instrument.

This Bond and the interest hereon are exempt from taxation by the State of West Virginia and the other taxing bodies of said State.

IN WITNESS WHEREOF, LAVALETTE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by the Chairman of its Public Service Board and its corporate seal to be affixed hereto and attested by the Secretary of said Board, and the annexed coupons to be executed with the facsimile signatures of said Chairman and said Secretary, all as of the ____ day of _____, 1972.

LAVALETTE PUBLIC SERVICE DISTRICT

By _____
Chairman of its Public
Service Board

ATTEST:

(SEAL)

Secretary of its Public Service Board

(Form of Coupon)

\$

On the first day of January, 19 , unless the Bond to which this coupon was originally attached shall have been callable and duly called for prior redemption and payment of the redemption price duly made or provided for, Lavalette Public Service District, in Wayne and Cabell Counties, West Virginia, will pay to the bearer at The Guaranty National Bank, at Huntington, West Virginia, or, at the option of the holder, at First National City Bank, New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being the interest then due on its Waterworks Revenue Bond, Series 1972, No. .

LVALETTE PUBLIC SERVICE DISTRICT

By (facsimile signature)
Chairman, Public Service Board

ATTEST:

(facsimile signature)
Secretary, Public Service Board

CERTIFICATE OF CONVERSION

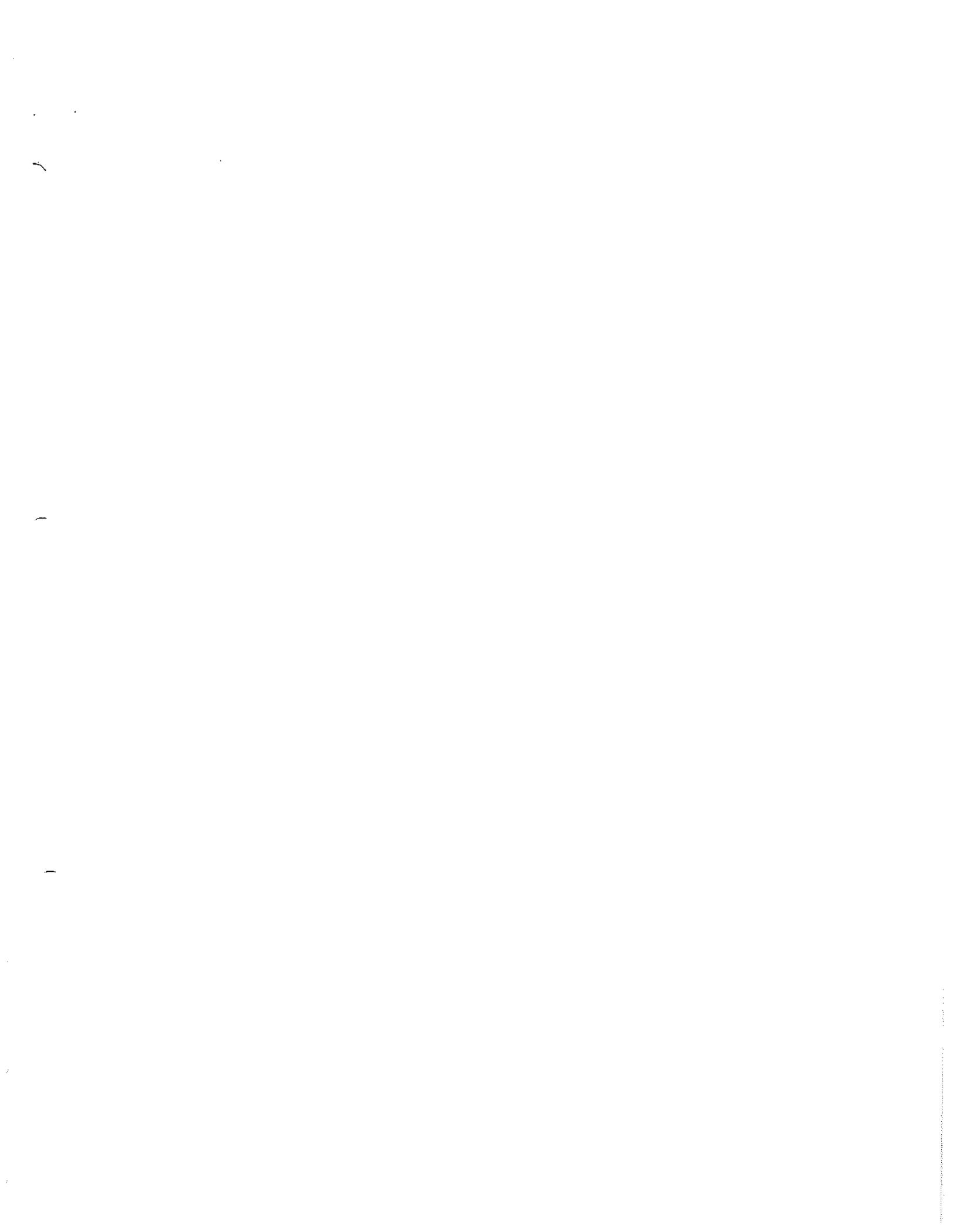
It is hereby certified over my signature and the official seal of the issuing Public Service District that upon the presentation of the within bond with a written request by the holder thereof for its conversion into a bond registered as to both principal and interest, there have been this day cut off and destroyed ____ interest coupons attached thereto, of the amount and value of _____ each, being all the coupons for interest on the within Bond payable after the date of this certificate, and that the interest at the rate and on the dates stated in the within bond and as was provided by the coupons, as well as the principal, is to be paid to the registered holder hereof, his legal representatives, successors or transferees, at the place stated in the within bond and as was stated in the coupons. The principal of and interest on this Bond shall be payable only to the registered holder hereof named in the registration blank below, or his legal representative, and this Bond shall be transferable only on the books of the registrar kept in the office of the undersigned, and by an appropriate notation in such registration blank. When registered the registrar shall treat the registered owner as the person exclusively entitled to payment of interest and the exercise of all other rights and powers of the owner prior to due presentment for registration of transfer.

Dated: _____, 19__.

_____, Registrar

(SEAL OF PUBLIC SERVICE DISTRICT)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Treasurer of Public Service District as Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____



(Form of Single, Fully Registered Bond)

REVENUE BOND

No. R-1

LAVALETTE PUBLIC SERVICE DISTRICT

Date: July 1, 1973

FOR VALUE RECEIVED, LAVALETTE PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at its office in Wayne, West Virginia, or at such other place as the Government may hereafter designate in writing, the principal sum of Three Hundred Seventy Thousand Dollars (\$370,000), plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Interest only on January 1, 1973, and January 1, 1974, and \$21,950 annually thereafter on January 1, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower, and the

Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith, is issued for the purpose of providing funds for financing costs of construction and acquisition of additions and extensions to the existing waterworks of the Borrower, and is payable solely from the revenues to be derived from the operation of such waterworks after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16

of the West Virginia Code (herein called the "Act").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Administration Act of 1961. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

This Bond and the Bonds of the issue and series of which this Bond is one are on a parity with the Water-Works System Revenue Bonds, Series A, of the Borrower issued in the aggregate principal amount of \$486,000 pursuant to a Resolution adopted by the Public Service Board of the Borrower on June 24, 1966.

(CORPORATE SEAL)

LAVALETTE PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

ATTEST:

(Signature of
Attesting Official)

Chairman, Public Service Board
(Title of Executive Official)

Secretary, Public Service
Board
(Title of Attesting
Official)

Lavalette
(Post Office Box No. or
Street Address)

West Virginia 25535
(City, State and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL

Pay to the Order of _____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

(Title)

ARTICLE IV
COVENANTS OF DISTRICT

Section 4.1. Bond Proceeds; Project Construction

Account. All moneys received from the sale of any or all the 1972 Bonds and the proceeds of said grant and all construction loans shall be deposited on receipt by the District in The Guaranty National Bank, Huntington, West Virginia, a member of Federal Deposit Insurance Corporation (FDIC) in a special account heretofore created and designated as "Lavalette Public Service District 1972 Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this resolution.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the 1972 Bonds on such interest payment date.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the

ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be promptly used to redeem or prepay the latest maturing 1972 Bonds and any residue shall be deposited in the Sinking Fund. The 1972 Bonds shall be subject to such redemption or prepayment without premium under the conditions stated in this paragraph.

Section 4.2. Covenants of 1966 Resolution Applicable; Increases in Bond Fund, Reserve Fund and Repair and Replacement Fund. The Board covenants that all covenants and provisions of the 1966 Resolution shall apply equally and ratably to the 1966 Bonds and the 1972 Bonds, and all payments, funds and accounts provided and established by the 1966 Resolution are hereby recognized and confirmed as applying to the 1972 Bonds, subject to the provisions hereof. Deposits to be made monthly into the Bond Fund established by Section 13B of the 1966 Resolution shall be of a sum equal to at least one-twelfth (1/12th) of the next maturing annual installment of principal and interest on all the Bonds.

The monthly deposits provided to be made into the Reserve Fund established by Section 13C of the 1966 Resolution shall be not less than 20% of the total amount deposited monthly into the said Bond Fund. No further deposits into said Reserve

Fund shall be required when there is, and so long as there remains on deposit, in the Reserve Fund the sum of \$47,000, and the "Minimum Reserve" defined in said Section 13C shall be the sum of not less than \$47,000. Use of moneys in the Reserve Fund for making payments on any of the Bonds or the interest thereon shall be for the equal benefit of the 1966 Bonds and the 1972 Bonds.

Monthly payments into the Repair and Replacement Fund established by Section 13E of the 1966 Resolution shall be increased to \$500 until moneys in such Repair and Replacement Fund equal not less than \$47,000. Funds on deposit in said Repair and Replacement Fund shall be transferred to the Bond Fund to the extent required to eliminate any deficiency in the Bond Fund.

Section 4.3. Tap Fees. Prior to issuance of the 1972 Bonds, the District shall collect tap fees of \$100 each from at least 158 additional bona fide customers, in the aggregate sum of not less than \$15,800, all tap fees to be deposited in the Revenue Fund established by Section 12 of the 1966 Resolution.

ARTICLE V

RATES, ETC.

Section 5.1. Rates, Charges and Rules. The rates, charges and rules now in effect for the Waterworks System shall apply initially, but shall be increased whenever necessary to comply with the covenants hereof and of the 1966 Resolution, and as provided in Section 16B and C of the 1966 Resolution.

ARTICLE VI
MISCELLANEOUS

Section 6.1. Resolutions Constitute Contract. The provisions of this Resolution, together with the provisions of the 1966 Resolution, as hereby supplemented, amended and provided, shall jointly constitute a contract between the District and the holders of the Bonds, and after the issuance of any of the 1972 Bonds no change, variation or alteration of any kind of the provisions of this Resolution or of the 1966 Resolution shall be made in any manner, except as herein and in the 1966 Resolution provided.

Section 6.2. Separability. If any section, paragraph, clause or provision of this Resolution shall 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 or of the Bonds or coupons, it being hereby declared that all the same are separable.

Section 6.3. 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 6.4. Filing Under Uniform Commercial Code. The District and the original purchaser of the Bonds shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia, and promptly thereafter the District shall file such Financing Statements in the offices of the Secretary of State of the State of West Virginia and of the Clerks of the County Courts of the aforesaid Counties. The Chairman of the Board is authorized and directed

to execute such Financing Statements for the District.

Section 6.5. Sale of 1972 Bonds. The Secretary of the Board is hereby authorized and directed to cause notice for bids for the purchase of all the 1972 Bonds, but not less than all, to be published at least once not less than five days prior to the date fixed for the receipt of bids, in a newspaper published and of general circulation in Wayne County.

Section 6.6. Conflicting Provisions. All resolutions and orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed, provided, however, that the provisions of the 1966 Resolution shall apply as herein provided.

Section 6.7. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted:

Chairman of Public Service Board

Secretary of Public Service Board



UNITED BANK

WEST VIRGINIA'S BANK

LOAN NUMBER 5106810 9008	LOAN NAME Lavalette Public Service District	ACCT. NUMBER 5106810	NOTE DATE 04/23/07	INITIALS TRK
NOTE AMOUNT \$365,265.63	INDEX (w/Margin) Not Applicable	RATE 3.840%	MATURITY DATE 04/23/12	LOAN PURPOSE Commercial

Creditor Use Only

PROMISSORY NOTE

(Commercial - Single Advance)

RENEWAL NOTE

DATE AND PARTIES. The date of this Promissory Note (Note) is April 23, 2007. The parties and their addresses are:

LENDER:

UNITED BANK, INC.
2889 Third Avenue
Huntington, West Virginia 25702
Telephone: (304) 525-5115

BORROWER:

LAVALETTE PUBLIC SERVICE DISTRICT
P O Box 227
Lavalette, West Virginia 25535

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together. "You" and "Your" refer to the Lender.
- B. **Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. **Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. **Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. **Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. **Percent.** Rates and rate change limitations are expressed as annualized percentages.

2. RENEWAL. This Note is a renewal of the following described note:

Note Date	Note Number	Note Amount
April 23, 2004	#5106810 9008	\$533,721.00

I have requested that the note listed in the table above be renewed. The remaining balance of the note listed in the table above is \$365,265.63.

3. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$365,265.63 (Principal) plus interest from April 23, 2007 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

4. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 3.840 percent (Interest Rate).

- A. **Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
- B. **Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. **Statutory Authority.** The amount assessed or collected on this Note is authorized by the West Virginia usury laws under W. Va. Code §§ 47A-1-1, 47-6-1 et. seq., 31A-4-27 to 31A-4-30a and 31C-7-2.
- D. **Accrual.** Interest accrues using an Actual/360 days counting method.
- E. **Preferred Rates.**
- F. **Variable Rate.** The Interest Rate may change during the term of this transaction.
 - (1) **Change Date.** Each date on which the Interest Rate may change is called a Change Date. The Interest Rate may change, after .
 - (2) **Calculation Of Change.** On each Change Date you will calculate the Interest Rate, which will be the Rate.
 - (3) **Effect Of Preferred Rate.** A change in the Interest Rate will have the following effect on the payments: The amount of scheduled payments will change.

5. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

- A. **Late Charge.** If a payment is more than 10 days late, I will be charged 2.000 percent of the Amount of Payment or \$15.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

6. PAYMENT. I agree to pay this Note in 60 payments. I will make 59 payments of \$6,479.88 beginning on May 23, 2007, and on the 23rd day of each month thereafter. A single "balloon payment" of the entire unpaid balance of Principal and interest will be due April 23, 2012.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to interest that is due then to principal that is due, and finally to any charges that I owe other than principal and interest. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

7. PREPAYMENT. I may prepay this Loan under the following terms and conditions. The borrower shall have the privilege to prepay the principal amount of the loan in full (or in part) in the first two years of the permanent loan subject to a three percent (3%) prepayment premium, in the third and fourth years subject to a two percent (2%) prepayment premium, in the fifth year subject to a one percent prepayment premium (1.0%), and no prepayment premium after the fifth year. Notwithstanding the foregoing, the prepayment premium shall be waived on that portion of the loan which is prepaid from net operating income of the business operations of the Borrower. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

8. LOAN PURPOSE. The purpose of this Loan is financing to provide for installation of a Radio Read Metering system and a Scada pump/tank operating system.

9. SECURITY. The Loan is secured by previously executed, separate security instruments.

10. DEFAULT. I will be in default if any of the following occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Note.

D. Other Documents. A default occurs under the terms of any other Loan Document.

E. Other Agreements. I am in default on any other debt or agreement I have with you.

F. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

G. Judgment. I fail to satisfy or appeal any judgment against me.

H. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

I. Name Change. I change my name or assume an additional name without notifying you before making such a change.

J. Property Transfer. I transfer all or a substantial part of my money or property.

K. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

L. Insecurity. You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

11. DUE ON SALE OR ENCUMBRANCE. You may, at your option, declare the entire balance of this Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. However, if I am in default under this Agreement, I may not sell the inventory portion of the Property even in the ordinary course of business.

12. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

(1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.

(2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.

(3) You may release, substitute or impair any property securing this Note.

(4) You, or any institution participating in this Note, may invoke your right of set-off.

(5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.

(6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

13. REMEDIES. After I default, you may at your option do any one or more of the following.

A. Acceleration. You may make all or any part of the amount owing by the terms of this Note immediately due.

B. Sources. You may use any and all remedies you have under state or federal law or in any Loan Document.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.

E. Set-Off. You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

14. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, attorneys' fees, court costs and other legal expenses. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to

pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

15. COMMISSIONS. I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

16. WARRANTIES AND REPRESENTATIONS. I have the right and authority to enter into this Note. The execution and delivery of this Note will not violate any agreement governing me or to which I am a party.

17. INSURANCE. I agree to obtain the insurance described in this Loan Agreement.

A. Property Insurance. I will insure or retain insurance coverage on the Property and abide by the insurance requirements of any security instrument securing the Loan.

B. Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the Property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts secured by this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

18. APPLICABLE LAW. This Note is governed by the laws of West Virginia, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in West Virginia, unless otherwise required by law.

19. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my personal representatives, successors, heirs and assigns.

20. AMENDMENT, INTEGRATION AND SEVERABILITY. This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing and executed by you and me. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

21. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

22. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any financial statement or information you request. All financial statements and information I give you will be correct and complete. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm my lien status on any Property. Time is of the essence.

23. CREDIT INFORMATION. I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

24. ERRORS AND OMISSIONS. I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

25. SIGNATURES. By signing under seal, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

Lavalette Public Service District
By Darrell Wellman (Seal)
Darrell Wellman, General Manager

LENDER:

United Bank, Inc.
By Timothy R Kinsey (Seal)
Timothy R Kinsey, Regional President

ORIGINAL

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2004 A

No. AR-1

\$533,721

KNOW ALL MEN BY THESE PRESENTS: That LAVALETTE PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Wayne 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 United Bank, Inc. (the "Payee") or registered assigns the sum of FIVE HUNDRED THIRTY-THREE THOUSAND SEVEN HUNDRED TWENTY-ONE DOLLARS (\$533,721), in monthly installments on the first day of each month, commencing May 23, 2004, as set forth on the "Debt Service Schedule" attached as EXHIBIT A hereto and incorporated herein by reference, with interest on each installment at the rate of 3.84% per annum. Interest shall be calculated using an actual day/360-day year.

The principal of and interest on 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 United Bank, Inc., Huntington, West Virginia (the "Paying Agent"). If any payment is made more than 10 days after the due date, the Issuer shall pay a late charge equal to 5% of the principal and interest then due, with a minimum of \$25 and maximum of \$250.

This Bond is subject to prepayment without penalty in whole or in part at any time upon the payment of the outstanding principal and the interest accrued to the prepayment date.

This Bond is issued (i) to pay, together with other funds of the Issuer, a portion of the costs necessary to make certain improvements and upgrades to the Issuer's System and to pay certain costs of issuance of this Bond 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"), a Bond Resolution duly adopted by the Issuer as supplemented and ratified (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in any reserve account permitted under the Bond Legislation for this Bond (the "Series 2004 A Bonds Reserve Account") and unexpended proceeds of this Bond. 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 an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, 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 any Series 2004 A Bonds Reserve Account and unexpended proceeds of this Bond. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on this Bond, and all other obligations secured by a lien on or payable from such revenues on a parity with this Bond, including the Prior Bonds; provided however, that so long as there exists in the Series 2004 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on this Bond in the then current or any succeeding year and in the respective reserve accounts established for any other obligations outstanding on a parity with this Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owner of this Bond for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owner of this Bond are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

THE OBLIGATION EVIDENCED BY THIS BOND IS SUBJECT TO A BALLOON PAY ON APRIL 23, 2007, SUBJECT TO THE SETTING OF NEW PAYMENT TERMS IN COMPLIANCE WITH ALL THEN APPLICABLE LAWS AND REGULATIONS.

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

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

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

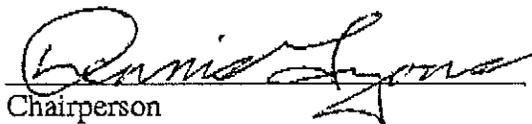
This Bond is hereby designated a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. This Bond is exempt from taxation by the State of West Virginia and the other taxing bodies of the State under the Act.

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 and interest on this Bond.

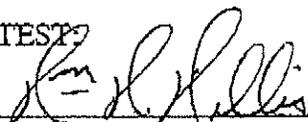
All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, LAVALETTE 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 as of April 23, 2004.

[SEAL]


Chairperson

ATTEST


Secretary



LAVALETTE PUBLIC SERVICE DISTRICT

**WATER REVENUE BONDS,
SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE),
SERIES 2006 B
(UNITED STATES DEPARTMENT OF AGRICULTURE),
AND SERIES 2006 C
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND RESOLUTION

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LAVALETTE PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LAVALETTE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A, NOT MORE THAN \$713,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN \$1,918,050 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Lavalette Public Service District (the "Issuer") is a public service district, a public corporation and political subdivision of the State of West Virginia in Wayne County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience, and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public waterworks system of the Issuer, consisting of various water line extensions know as the "United States Route 52 North Project", together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses (the existing public waterworks facilities of the Issuer, the Project and any further extensions or improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority") and the United States Department of Agriculture (the "Purchaser") pursuant to the Act.

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 Operating Expenses of the System, the principal of and interest on the Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than \$4,631,050 in three series, being the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$2,000,000 (the "Series 2006 A Bonds"), Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), in the aggregate principal amount of not more than \$713,000 (the "Series 2006 B" Bonds), and the Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$1,918,050 (the "Series 2006 C Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project (collectively, the "Series 2006 Bonds"). The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2006 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in any Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and

revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2006 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2006 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 2006 A Bonds and Series 2006 B Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined) and its Series 2006 C Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the Issuer, the Authority and the Council, approved hereby if not previously approved by resolution of the Issuer.

H. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 Bonds as to liens, pledge, source of and security for payment, being the Issuer's Water Revenue Bonds, Series 1973, dated July 17, 1973, issued in the original aggregate principal amount of \$370,000 and currently held by the Rural Utilities Service, United States Department of Agriculture and the Water Revenue Bonds, Series 2004 A, dated April 23, 2004, issued in the original aggregate principal amount of \$533,721 and currently held by United Bank, Inc. (collectively, the "Prior Bonds").

The Series 2006 Bonds 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. Prior to the issuance of the Series 2006 Bonds, the Issuer will obtain a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met and obtain the written consent of the Holders of the Prior Bonds to the issuance of the Series 2006 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

I. The Issuer has complied with all requirements of West Virginia law, the Letter of Conditions and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, including, without limitation, the

imposition of rates and charges and the issuance of the Series 2006 Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2006 Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2006 C Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2006 A Bonds, the Series 2006 B Bonds, the Series 2006 C Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2006 Bonds for all or a portion of the proceeds of the Series 2006 A Bonds and Series 2006 B Bonds from the Purchaser and for all or a portion of the proceeds of the Series 2006 C Bonds from the Authority and the Council.

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

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

"Consulting Engineers" means E.L. Robinson Engineering Co., Ltd., Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

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

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

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by

additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefore, hereafter at any time constructed or acquired.

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

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

"Governing Body" means the Public Service Board of the Issuer, as it may now or hereafter be constituted.

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

"Grant" means, collectively, all grant monies received by the Issuer for the Project.

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

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

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

"Investment Property" means

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

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

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

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

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated May 12, 2004, amended December 9, 2005 thereto, providing for the purchase of the Series 2006 A and Series 2006 B Bonds from the Issuer by the Purchaser.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2006 C Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2006 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in any Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2006 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

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

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

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

"Outstanding," when used with reference to Bonds or Prior Bonds and as of any particular date, describes all Bonds or Prior Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond or Prior Bonds canceled by the Bond Registrar or Registrar for the Prior Bonds, at or prior to said date; (ii) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond or Prior Bonds 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 or holders of the Prior Bonds, any Bonds or Prior Bonds registered to the Issuer.

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

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 2006 B Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means the Issuer's Series 1973 Bonds and Series 2004 A Bonds, as more particularly described in Section 1.02(H) hereof.

"Prior Resolution" means, collectively, the resolution of the Issuer, as supplemented, authorizing the Series 1973 Bonds and Series 2004 A Bonds.

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

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

"Purchaser" or "Government" means the United States Department of Agriculture and any successor thereof acting for and on behalf of the United States of America, which is expected to be the original purchaser and Registered Owner of the Series 2006 A and Series 2006 B Bonds.

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

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

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

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

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

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2006 Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

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

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

"Series 2006 Bonds" means, collectively, the Series 2006 A Bonds, the Series 2006 B and the Series 2006 C Bonds.

"Series 2006 Bonds Construction Trust Fund" means the Series 2006 Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2006 A Bonds" means the Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 2006 A Bonds Reserve Account" means the Series 2006 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2006 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 A Bonds in the then current or any succeeding year.

"Series 2006 B Bonds" means the Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 2006 B Bonds Reserve Account" means the Series 2006 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 2006 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 B Bonds in the then current or any succeeding year.

"Series 2006 C Bonds" means the Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), of the Issuer authorized by this Resolution.

"Series 2006 C Bonds Reserve Account" means the Series 2006 C Bonds Reserve Account established by Section 5.02 hereof.

"Series 2006 C Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 C Bonds in the then current or any succeeding year.

"Series 2006 C Bonds Sinking Fund" means the Series 2006 C Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the

Series 2006 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2006 Bonds, and not so included may be included in another Supplemental Resolution.

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

"System" means the complete existing waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever, both within and without the Issuer.

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

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION
OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$5,831,050, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser, the Authority and the Council.

The cost of the Project is estimated not to exceed \$5,831,050, of which not more than \$2,000,000 will be obtained from proceeds of the Series 2006 A Bonds, not more than \$713,000 will be obtained from proceeds of the Series 2006 B Bonds, and not more than \$1,918,050 will be obtained from proceeds of the Series 2006 C Bonds, and approximately \$1,200,000 will be obtained from proceeds of a grant from the Council.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2006 Bonds, if any, funding reserve accounts for the Series 2006 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2006 A Bonds, Series 2006 B Bonds and the Series 2006 C Bonds of the Issuer. The Series 2006 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2006 A (United States Department of Agriculture)," in the principal amount of not more than \$2,000,000, the Series 2006 B Bonds, shall be issued as a single bond, designated "Water Revenue Bonds, Series 2006 B (United States Department of Agriculture)", in the principal amount of not more than \$713,000 and the Series 2006 C Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund)," in the principal amount of not more than \$1,918,050, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2006 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2006 Bonds, if any, shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2006 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly 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 or as specifically provided in the Series 2006 A Bond.

B. The Series 2006 B Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly 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 or as specifically provided in the Series 2006 B Bond.

C. The Series 2006 C Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2006 C Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or

private debts under the laws of the United States of America. Interest, if any, on the Series 2006 C Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2006 A Bonds shall initially be issued in the form of a single bond, fully registered to the Purchaser, with a record of advances attached, representing the aggregate principal amount of the Series 2006 A Bonds. The Series 2006 B Bonds shall initially be issued in the form of a single bond fully registered to the Purchaser with a record of advances attached representing the aggregate principal amount of the Series 2006 B Bonds. The Series 2006 C B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2006 C Bonds, all as provided in the Supplemental Resolution. The Series 2006 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Purchaser nor the Authority shall be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, in such denominations, dated such dates and bear interest at such rates as determined by a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2006 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2006 Bonds shall cease to be such officer of the Issuer before the Series 2006 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar: Authentication and Registration. A. The Issuer shall be the Bond Registrar with respect to the Series 2006 A Bonds and 2006 B Bonds and will keep or cause to be kept at its office by its agent, sufficient books for the registration and transfer of the Series 2006 A and Series 2006 B Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2006 A and Series 2006 B Bonds initially issued pursuant hereto and

register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2006 A and Series 2006 B Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2006 A Bonds and Series 2006 B Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust, and/or such other identifying number and information as may be required by law. The Series 2006 A and Series 2006 B Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2006 A and Series 2006 B Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

B. The Bond Registrar with respect to the Series 2006 C Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2006 C Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Series 2006 C Bonds shall be conclusive evidence that such Series 2006 C Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2006 C 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 Series 2006 C Bonds issued hereunder. The provisions of this Section 3.04 relating to authentication shall not apply to the Series 2006 A or Series 2006 B Bonds, notwithstanding anything herein to the contrary.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2006 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2006 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2006 Bonds remain outstanding, the Bond Registrar for the Series 2006 Bonds shall keep and maintain books for the registration and transfer of such Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2006 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2006 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2006 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all Series 2006 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2006 Bonds and the Prior Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. With respect to the Series 2006 A and Series 2006 B Bonds, the Chairman is hereby authorized and directed to cause such Bonds, hereby awarded to the Purchaser pursuant to the Letter of Conditions, to be delivered to the Purchaser on the date of delivery.

B. The Issuer shall execute and deliver the Series 2006 C Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2006 C Bonds to the original purchasers upon receipt of the documents set forth below:

- (1) If other than the Authority, a list of the names in which the Series 2006 C Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- (2) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2006 C Bonds to the original purchasers;
- (3) An executed and certified copy of the Bond Legislation;
- (4) An executed copy of the Loan Agreement; and
- (5) The unqualified approving opinion of bond counsel on the Series 2006 C Bonds.

Section 3.10. Form of Bonds. The text of the Series 2006 A and Series 2006 B Bonds and the Series 2006 C Bonds shall be in substantially the following respective forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2006 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

Date: February 23, 2006

FOR VALUE RECEIVED, LAVALETTE PUBLIC SERVICE DISTRICT (the "Borrower") promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of TWO MILLION DOLLARS (\$2,000,000), plus interest on the unpaid principal balance at the rate of 4.375 % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$9,020.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of improvements and extensions to the existing public waterworks system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Resolution. This Bond does not in any manner constitute an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on February 21, 2006, and a Supplemental Resolution of the Borrower duly adopted on February 21, 2006, authorizing issuance of this Bond (collectively, the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 1973, DATED JULY 17, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$370,000 AND CURRENTLY HELD BY THE RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE AND (2) THE WATER REVENUE BONDS, SERIES 2004 A, DATED APRIL 23, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$533,721 AND CURRENTLY HELD BY UNITED BANK, INC. (COLLECTIVELY, THE "PRIOR BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$713,000, AND (4) WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED FEBRUARY 23, 2006, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,918,050.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IN WITNESS WHEREOF, LAVALETTE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

LAVALETTE PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman
(Title of Executive Official)

5308 Route 152
(P.O. Box No. or Street Address)

Lavalette, West Virginia 25535
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to____

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 Borrower with full power of substitution in the
premises.

Dated: _____, 2____.

In presence of:

(FORM OF SERIES 2006 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2006 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1

Date: February 23, 2006

FOR VALUE RECEIVED, LAVALETTE PUBLIC SERVICE DISTRICT (the "Borrower") promises to pay to the order of the UNITED STATES OF AMERICA (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SEVEN HUNDRED AND THIRTEEN THOUSAND DOLLARS (\$713,000), plus interest on the unpaid principal balance at the rate of 4.25 % per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$3,159.00, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto as a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of improvements and extensions to the existing public waterworks system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Resolution. This Bond does not in any manner constitute an indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on February 21, 2006, and a Supplemental Resolution of the Borrower duly adopted on February 21, 2006, authorizing issuance of this Bond (collectively, the "Resolution").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act of 1965. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 1973, DATED JULY 17, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$370,000 AND CURRENTLY HELD BY THE RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, (2) WATER REVENUE BONDS, SERIES 2004 A, DATED APRIL 23, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$533,721 AND CURRENTLY HELD BY UNITED BANK, INC. (COLLECTIVELY, THE "PRIOR BONDS"); AND (3) WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006 ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 AND (4) WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), DATED FEBRUARY 23, 2006, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,918,050.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IN WITNESS WHEREOF, LAVALETTE PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

LAVALETTE PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman
(Title of Executive Official)

5308 Route 152
(P.O. Box No. or Street Address)

Lavalette, West Virginia 25535
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to____

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 Borrower with full power of substitution in the
premises.

Dated: _____, 2____.

In presence of:

(FORM OF SERIES 2006 C BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LAVALETTE PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 2006 C
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. CR-1

\$1,918,050

KNOW ALL MEN BY THESE PRESENTS: That on the 23rd day of February, 2006, LAVALETTE PUBLIC SERVICE DISTRICT, a public service district and public corporation and political subdivision of the State of West Virginia in Wayne County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of One Million Nine Hundred Eighteen Thousand and Fifty DOLLARS (\$1,918,050), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, _____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated February 23, 2006.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further 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 West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on February 21, 2006, and a Supplemental Resolution duly adopted by the Issuer on February 21, 2006 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BONDS, SERIES 1973, DATED JULY 17, 1973, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$370,000 AND CURRENTLY HELD BY THE RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, (2) WATER REVENUE BONDS, SERIES 2004 A, DATED APRIL 23, 2004, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$533,721 AND CURRENTLY HELD BY UNITED BANK, INC. (COLLECTIVELY, THE "PRIOR BONDS"), AND (3) WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006 ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$2,000,000 (THE "SERIES 2006 A BONDS"), AND (4) WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED FEBRUARY 23, 2006 ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$713,000 (THE "SERIES 2006 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2006 A and Series 2006 B Bonds and the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2006 C Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2006 C Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by

a lien on or payable from such revenues on a parity with the Bonds, including the Series 2006 A Bonds, the Series 2006 B Bonds and the Prior Bonds; provided however, that so long as there exists in the Series 2006 C B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2006 A Bonds, the Series 2006 B Bonds and the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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

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

IN WITNESS WHEREOF, LAVALETTE PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the date first written above.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2006 C Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: February 23, 2006.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, 2____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. A. The Series 2006 A Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

B. The Series 2006 B Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions.

C. The Series 2006 C Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

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

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank

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

- (1) Revenue Fund (established by the Prior Resolution);
- (2) Reserve Fund (established by the Prior Resolution);
- (3) Renewal and Replacement Fund (established by the Prior Resolution as the Depreciation Reserve); and
- (4) Series 2006 Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission.

The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2006 A Bonds Reserve Account;
- (2) Series 2006 B Bonds Reserve Account;
- (3) Series 2006 C Bonds Sinking Fund; and
- (4) Series 2006 C Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Bond Legislation. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The Issuer shall next, each month, on or before the due date thereof, transfer from the Revenue Fund and remit to the National Finance Office (i) the amount required by the Prior Resolution to pay the interest on the Prior Bonds; (ii) the amounts required to pay interest on the Series 2006 A Bonds, and (iii) the amounts required to pay interest on the Series 2006 B Bonds.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on or before the due date thereof, remit to the National Finance Office the amount required by the Prior Resolution to pay the principal of the Prior Bonds; and (ii) on or before the due date thereof, remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2006 A Bonds, the amount required to amortize the principal of the Series 2006 A Bonds over the life of the bond issue; (iii) on or before the due date thereof, remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2006 B Bonds, the amount required to amortize the principal of the Series 2006 B Bonds over the life of the issue and (iv) on the first day of each month, remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2006 C Bonds, for deposit in the Series 2006 C Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2006 C Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2006 C Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Commission or Depository Bank, as applicable, the amount required by the Prior Resolution to be deposited in the Reserve Fund for the Prior Bonds; and (ii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2006 A Bonds, for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount each month, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 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 2006 A Bonds Reserve Requirement; (iii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2006 B Bonds, for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 10% of the monthly payment amount each month, until the amount in the Series 2006 B Bonds Reserve Account equals the

Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 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 2006 B Bonds Reserve Requirement; and (iv) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2006 C Bonds, for deposit in the Series 2006 C Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 C Bonds Reserve Requirement, until the amount in the Series 2006 C Bonds Reserve Account equals the Series 2006 C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 C Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account; provided, that, as long as the Issuer's Series 1973 Bonds remain outstanding, the Issuer must accumulate in the Renewal and Replacement Fund the aggregate sum of \$47,000 and maintain such sum therein and shall use the monies therein as provided by the Prior Resolution, except that any deficiencies in the debt service payments on the Series 2006 A Bonds and Series 2006 B Bonds shall be payable from the Renewal and Replacement Fund on a parity with the Prior Bonds. 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, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Accounts (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

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

Monies in the Series 2006 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2006 A Bonds as the same shall come due, when other monies are insufficient therefor, and for no other purpose. Whenever the monies in the Series 2006 A Bonds Reserve Account shall be sufficient to prepay the

Series 2006 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2006 A Bonds, together with accrued interest thereon to such prepayment date.

Monies in the Series 2006 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2006 B Bonds as the same shall come due, when other monies are insufficient therefor, and for no other purpose. Whenever the monies in the Series 2006 B Bonds Reserve Account shall be sufficient to prepay the Series 2006 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2006 B Bonds, together with accrued interest thereon to such prepayment date.

Monies in the Series 2006 C Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2006 C Bonds as the same shall become due. Monies in the Series 2006 C Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2006 C Bonds as the same shall come due, when other monies in the Series 2006 C Bonds Sinking Fund are insufficient therefor, and for no other purpose. Whenever the monies in the Series 2006 C Bonds Reserve Account shall be sufficient to prepay the Series 2006 C Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2006 C Bonds and accrued interest, if any, thereon to such prepayment date.

All investment earnings on monies in the Series 2006 A Bonds Reserve Account (if fully funded), the Series 2006 B Bonds Reserve Account (if fully funded), the Series 2006 C Bonds Sinking Fund and the Series 2006 C Bonds Reserve Account (if fully funded) shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2006 Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2006 A Bonds the Series 2006 B Bonds and the Series 2006 C Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2006 A Bonds Reserve Account the Series 2006 B Bonds Reserve Account or the Series 2006 C Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 2006 A Bonds Reserve Requirement, the Series 2006 B Bonds Reserve Requirement or the Series 2006 C Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

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

The Issuer shall not be required to make any further payments into the Series 2006 A Bonds Reserve Account the Series 2006 B Bonds Reserve Account or the Series 2006 C Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2006 A Bonds, the Series 2006 B the Series 2006 C Bonds and the Prior Bonds in accordance with the respective principal amounts then Outstanding.

The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser, the Council and the Authority.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Reserve Account, the Series 2006 C Bonds Sinking Fund and the Series 2006 C Bonds Reserve Account created hereunder, and all amounts required for such funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Purchaser, the Authority or the Council at any time, the Issuer shall make the necessary arrangements whereby required payments into the said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Reserve Account, the Series 2006 C Bonds Sinking Fund and the Series 2006 C Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Reserve Account, the Series 2006 C Bonds Sinking Fund and the Series 2006 C Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2006 A Bonds the Series 2006 B Bonds and the Series 2006 C Bonds, respectively, 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) remit to the Commission the required principal, interest 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 this Bond Legislation.

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

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

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

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

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

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

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

J. All Tap Fees shall be deposited by the Issuer, as received, in the Series 2006 Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2006 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2006 A Bonds, there shall be deposited with the Commission in the Series 2006 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2006 A Bonds Reserve Account.

B. From the proceeds of the Series 2006 B Bonds, there shall be deposited with the Commission in the Series 2006 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2006 B Bonds Reserve Account.

C. From the proceeds of the Series 2006 C Bonds, there shall be deposited with the Commission in the Series 2006 C Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2006 C Bonds Reserve Account.

D. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2006 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 A Bonds.

E. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2006 B Bonds, such monies shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 B Bonds.

F. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2006 C Bonds, such monies shall be deposited with the Depository Bank in the Series 2006 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2006 C Bonds.

G. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2006 A Bonds and Series 2006 B Bonds shall be expended as directed by the Purchaser and any remaining proceeds of the Series 2006 C Bonds shall be expended as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. The proceeds of the Series 2006 A Bonds, and the Series 2006 B Bonds, in the Series 2006 Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

B. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project from the Series 2006 C Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of proceeds of the Series 2006 C Bonds from the Series 2006 Bonds Construction Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

(ii) 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;

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

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

The Issuer shall expend all proceeds of the Series 2006 C Bonds within 3 years of the date of the issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, monies in the Series 2006 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2006 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2006 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2006 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2006 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2006 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2006 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2006 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Commission Order of the Public Service Commission of West Virginia entered October 12, 2005, in Case No. 05-0775-PWD-CN, and such rates are hereby adopted, which rates are incorporated herein by reference as a part hereof.

So long as the Prior Bonds and the Series 2006 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the

required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2006 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the provisions governing the sale of the System, or any part thereof, shall be as set forth and described in the Prior Resolution and the System may not be sold, mortgaged, leased or otherwise disposed of unless the Issuer has obtained the written consent of the Purchaser, the Authority and the Council, as applicable bondholders. Further, so long as the Series 2006 Bonds are outstanding and except as otherwise required by law, and with the written consent of the Purchaser, the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2006 A, and the Series 2006 B Bonds, immediately be remitted to the National Finance Office, and with respect to the Series 2006 C Bonds, immediately be remitted to the Commission for deposit in the Series 2006 C Bonds Sinking Fund, and, with the written consent of the Purchaser, the Authority and the Council, the Issuer shall direct the National Finance Office and the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2006 Bonds. Any balance remaining after the payment of all the Series 2006 Bonds and interest, if any, thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into such fund by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

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

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

The Issuer shall give the Purchaser, 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 System, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2006 Bonds pursuant to this Bond Legislation,

without the prior written consent of the Authority, the Council and the Purchaser and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2006 Bonds.

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

So long as the Series 2006 A Bonds and Series 2006 B Bonds and the Prior Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

- (1) The Bonds Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and
- (3) The Parity Bonds than proposed to be issued.

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2006 A and Series 2006 B Bonds and the Prior Bonds are no longer outstanding, the following parity requirement shall be met:

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

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2006 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2006 Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Purchaser, 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 Purchaser, the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

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

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2006 Bonds and shall submit said report to the Purchaser, the Authority and the Council, or any other original purchaser of the Series 2006 Bonds. Such audit report submitted to the Purchaser, the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall permit the Purchaser, the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Purchaser, 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, the Council and the Purchaser with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2006 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and

continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 Bonds, including the Prior Bonds; provided that, in the event that an amount equal to or in excess of the reserve requirement is on deposit respectively in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2006 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2006 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2006 Bonds, including the Prior Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

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

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

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

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

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, and any services and

facilities of the sewerage 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 sewerage facilities are not owned by the Issuer, the Issuer will, to the extent allowed by law, use diligent efforts to enter into a similar termination agreement with the provider of such sewerage service, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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

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

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

Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Purchaser, the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

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

Section 7.17. Completion of Project: Permits and Orders . The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

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

Section 7.18. Compliance with Letter of Conditions, Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, the Loan Agreement, the Act and this Bond Legislation. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Purchaser, the Authority and 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. The Issuer shall provide the Council with copies of all documents submitted to the Purchaser and the Authority.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2006 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any

interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2006 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2006 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2006 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2006 Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2006 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. To the extent legally required, the Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2006 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2006 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2006 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2006 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2006 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Purchaser and the Council for written approval. The Issuer shall obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2006 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2006 Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the Purchaser, 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 ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

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

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

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

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2006 Bonds as a condition to issuance of the Series 2006 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2006 Bonds as may be necessary in order to maintain the status of the Series 2006 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2006 Bonds which would cause any bonds, the interest on which is

exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2006 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2006 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2006 Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2006 Bonds; or
- (2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 2006 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2006 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or
- (3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or
- (4) If default occurs with respect to the Prior Bonds or the Prior Resolution.

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on any series of the Series 2006 Bonds or the Prior Bonds, it shall constitute an "Event of Default" with respect to the other series of the Series 2006 Bonds.

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

Owners; provided that, all rights and remedies of the Holders of the Series 2006 A Bonds and the Series 2006 B Bonds shall be on a parity with each other and the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or

otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2006 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2006 Bonds from gross income for federal income tax purposes.

Except through such direct payment to the Holder of the Series 2006 A Bonds, and Series 2006 B Bonds, the Issuer may not defease the Series 2006 A or the Series 2006 B Bonds or otherwise provide for payment thereof by escrow or like manner.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2006 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2006 Bonds, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2006 Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2006 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest, if any, out of the funds herein 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 the Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest, if any, on the Series 2006 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2006 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution or the Series 2006 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 or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, this Section shall not be applicable to the Loan Agreement or the Loan Resolution (Form FmHA 442-47); and provided that in the event of any conflict between this Resolution and the Prior Resolution,

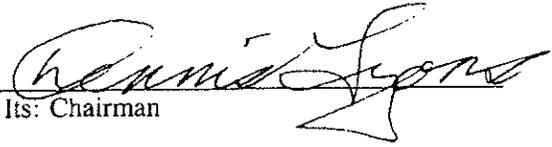
the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are outstanding.

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, 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 11.07. Effective Date . This Resolution shall take effect immediately upon adoption.

Adopted this 21st day of February, 2006.

LAVALETTE PUBLIC SERVICE DISTRICT

By: 
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board
of LAVALETTE PUBLIC SERVICE DISTRICT on February 21, 2006.

Dated: February 23, 2006.

[SEAL]



Secretary

02/03/06
509380.00001

LAVALETTE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2006 A,
Water Revenue Bonds, Series 2006 B
(United States Department of Agriculture), and
Water Revenue Bonds, Series 2006 C,
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE) AND WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), OF LAVALETTE PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2006 C BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2006 A BONDS AND SERIES 2006 B BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2006 C BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; PROVIDING FOR THE RE-DESIGNATION OF RESERVE ACCOUNT FOR THE SERIES 1973 BONDS AND AMENDMENT OF PRIOR RESOLUTION TO EFFECT SUCH TRANSFER; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Lavalette Public Service District (the "Issuer") has duly and officially adopted a bond resolution on February 21, 2006 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LAVALETTE PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$2,800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 A NOT MORE THAN \$713,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN \$1,918,050 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), Water Revenue Bonds, Series 2006 B (United States Department of Agriculture) and, Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2006 A Bonds," "Series 2006 B Bonds" and the "Series 2006 C Bonds"), in the respective aggregate principal amounts not to exceed \$2,000,000, \$713,000 and \$1,918,050, and has authorized the execution and delivery of the loan agreement relating to the Series 2006 C Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by

a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Series 2006 A Bonds and Series 2006 B Bonds are proposed to be purchased by the United States Department of Agriculture, acting for and on behalf of the United States of America (the "Purchaser") pursuant to a Letter of Conditions, and all amendments, and the Series 2006 C Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Issuer has previously issued its Water Revenue Bonds, Series 1973, dated July 17, 1973, issued in the original aggregate principal amount of \$370,000 (the "Series 1973 Bonds"), which are currently held by the Purchaser;

WHEREAS, the Series 1973 Bonds are secured by a reserve account pledged for the payment of principal and interest on the Series 1973 Bonds (hereinafter referred to as the "Series 1973 Bonds Reserve Account"), which account is, pursuant to the Prior Resolution, held by the Depository Bank;

WHEREAS, the Purchaser has requested that the Issuer transfer the monies in the Series 1973 Bonds Reserve Account from the Depository Bank to the West Virginia Municipal Bond Commission (the "Commission");

WHEREAS, the Prior Resolution provides that it may be amended by supplemental resolution with the prior written consent of the Purchaser and such consent has been received by the Issuer; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates, the sale prices and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for and provide for the transfer of the Series 1973 Bonds Reserve Account;

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

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

A. Water Revenue Bonds, Series 2006 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of \$2,000,000. The Series 2006 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.375 % per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 2006 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of \$9,020.00 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2006 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2006 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2006 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

B. Water Revenue Bonds, Series 2006 B (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered BR-1 in the principal amount of \$713,000. The Series 2006 B Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.25 % per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 2006 B Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of \$3,159.00 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2006 B Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2006 B Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2006 B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

C. Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered CR-1, in the principal amount of \$1,918,050. The Series 2006 C Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2045, and shall bear no interest. The principal of the Series 2006 C Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2007, and maturing December 1, 2045, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2006 C Bonds. The Series 2006 C Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2006 C Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The Issuer does hereby authorize, approve and accept the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Series 2006 A Bonds the Series 2006 B Bonds and the Series 2006 C Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2006 C Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2006 C Bonds under the Bond Resolution.

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

Section 7. All proceeds of the Series 2006 A Bonds and the Series 2006 B Bonds shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund as received from the Purchaser from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2006 A and Series 2006 B Bonds.

Section 8. Series 2006 C Bonds proceeds in the amount of -0- shall be deposited in the Series 2006 C Bonds Sinking Fund, as capitalized interest.

Section 9. Series 2006 C Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2006 C Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 2006 C Bonds shall be deposited in or credited to the Series 2006 Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2006 A and Series 2006 B Bonds may be delivered on or about February 23, 2006, to the Purchaser pursuant to the Letter of Conditions, and the Series 2006 C Bonds may be delivered on or about February 23, 2006, to the Authority pursuant to the Loan Agreement.

Section 12. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2006 A Bonds Reserve Account, the Series 2006 B Bonds Reserve Account, the Series 2006 C Bonds Sinking Fund and the Series 2006 C Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 15. The Prior Resolution is amended, as necessary, to reflect the following:

A. The Series 1973 Bonds Reserve Account is held by the Commission.

B. The Commission is designated as the Fiscal Agent for the administration of the Series 1973 Bonds Reserve Account as herein provided, and all amounts required for the Series 1973 Bonds Reserve Account will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

C. The Issuer shall, on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required reserve account payments with respect to the Series 1973 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

D. Moneys in the Series 1973 Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

E. Earnings from moneys in the Series 1973 Bonds Reserve Account, so long as the Minimum Reserve is on deposit in each such account and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

F. The Issuer shall remit from the Revenue Fund to the Commission such additional sums as shall be necessary to pay the charges and fees of the Commission then due.

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

Section 16. The Series 1973 Bonds Reserve Account shall be transferred to the Commission, and the aforementioned amendments relating to the Series 1973 Bonds Reserve Account shall become effective, on or before the Closing Date.

Section 17. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 21st day of February, 2006.

LAVALETTE PUBLIC SERVICE DISTRICT

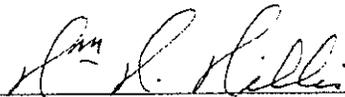
By: 
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by
LAVALETTE PUBLIC SERVICE DISTRICT on this 21st day of February, 2006.

Dated: February 23, 2006.

[SEAL]


Secretary

02/14/06
509380.00001

LAVALETTE PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 2006 A,
Water Revenue Bonds, Series 2006 B,
(United States Department of Agriculture) and
Water Revenue Bonds, Series 2006 C
(West Virginia Infrastructure Fund)

SECOND SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO RESERVE
PAYMENT DATES OF THE WATER REVENUE BONDS,
SERIES 2006 A (UNITED STATES DEPARTMENT OF
AGRICULTURE), AND THE WATER REVENUE BONDS, SERIES
2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE) OF
LAVALETTE PUBLIC SERVICE DISTRICT.

WHEREAS, the Public Service Board (the "Governing Body") of Lavalette Public Service District (the "Issuer") has duly and officially adopted a bond resolution on February 21, 2006 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND
CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE
EXISTING PUBLIC WATERWORKS FACILITIES OF LAVALETTE
PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST,
NOT OTHERWISE PROVIDED, THEREOF THROUGH THE
ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$2,000,000 IN
AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND,
SERIES 2006 A, NOT MORE THAN \$713,000 IN AGGREGATE
PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2006
B (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT
MORE THAN \$1,918,050 IN AGGREGATE PRINCIPAL AMOUNT
OF WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA
INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND
REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS
OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY
OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH
BONDS; APPROVING, RATIFYING AND CONFIRMING THE LOAN

AGREEMENTS RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2006 A (United States Department of Agriculture); Water Revenue Bonds, Series 2006 B (United States Department of Agriculture) and Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2006 A Bonds", the "Series 2006 B Bonds" and the "Series 2006 C Bonds"), in the respective aggregate principal amounts not to exceed \$2,000,000, \$713,000 and \$1,918,050, and has authorized the execution and delivery of the loan agreement relating to the Series 2006 C Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Bond Resolution provides that it may be amended by supplemental resolution;

WHEREAS, the Issuer adopted a Supplemental Resolution on February 21, 2006 entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE), WATER REVENUE BONDS, SERIES 2006 B (UNITED STATES DEPARTMENT OF AGRICULTURE) AND WATER REVENUE BONDS, SERIES 2006 C (WEST VIRGINIA INFRASTRUCTURE FUND), OF LAVALETTE PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2006 C BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2006

A BONDS AND SERIES 2006 B BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2006 C BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; PROVIDING FOR THE RE-DESIGNATION OF RESERVE ACCOUNT FOR THE SERIES 1973 BONDS AND AMENDMENT OF PRIOR RESOLUTION TO EFFECT SUCH TRANSFER; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Governing Body deems it essential and desirable that this second supplemental resolution (the "Second Supplemental Resolution") be adopted.

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

Section 1. Pursuant to the Bond Resolution and the Act, this Second Supplemental Resolution is adopted.

Section 2. Article V, Section 5.03A, Paragraph 4 of the Resolution is hereby amended in its entirety to read as follows:

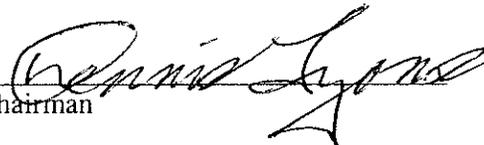
(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Commission or Depository Bank, as applicable the amounts required by the Prior Resolution to be deposited in the Reserve Fund for the Prior Bonds; (ii) beginning on the date specified by the purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission, for deposit in the Series 2006 A Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2006 A Bonds Reserve Account equals the Series 2006 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 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 2006 A Bonds Reserve Requirement; (iii) beginning on the date specified by the purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission , for deposit in the Series 2006 B Bonds Reserve Account, an amount equal to 10% of the monthly payment amount, until the amount in the Series 2006 B Bonds Reserve Account

equals the Series 2006 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 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 2006 B Bonds Reserve Requirement and (iv) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2006 C Bonds, for deposit in the Series 2006 C Bonds Reserve Account, an amount equal to 1/120th of the Series 2006 C Bonds Reserve Requirement, until the amount in the Series 2006 C Bonds Reserve Account equals the Series 2006 C Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2006 C Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2006 C Bonds Reserve Requirement.

Section 3. This Second Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 19 day of June, 2007

LAVALETTE PUBLIC SERVICE DISTRICT

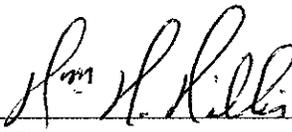
By: 
Its: Chairman

CERTIFICATION

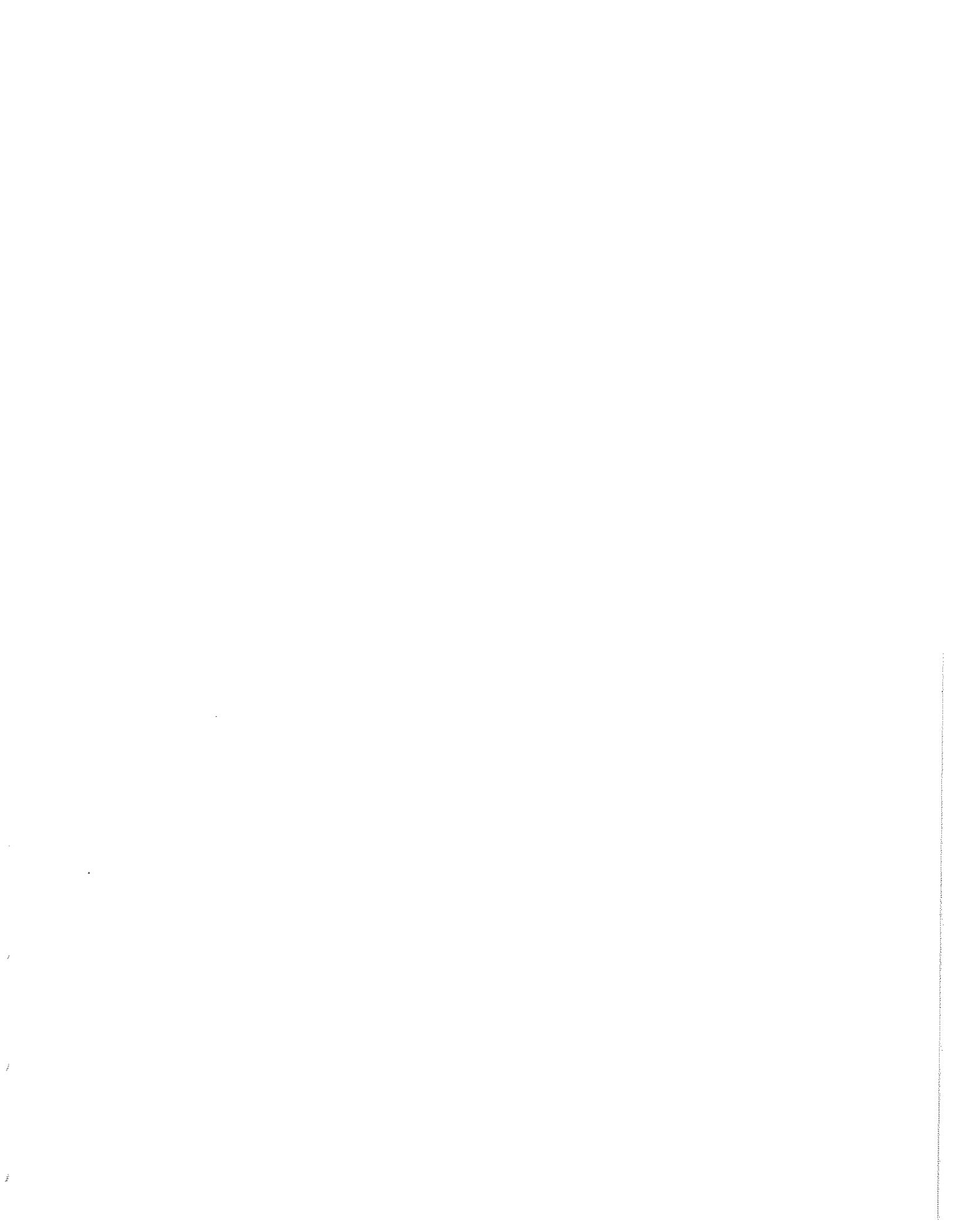
Certified a true copy of a Second Supplemental Resolution duly adopted by LAVALETTE
PUBLIC SERVICE DISTRICT on the 19th day of June, 2007

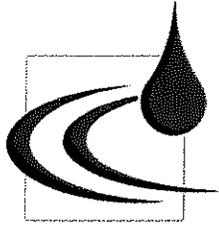
Dated: 6-19, 2007

[SEAL]



Secretary





WEST VIRGINIA

Water Development Authority

Celebrating 33 Years of Service 1974 - 2007

August 28, 2007

LAVALETTE PUBLIC SERVICE DISTRICT

Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), the registered owner of the Series 2006 C Bonds hereinafter defined and described, hereby consents to the issuance of the Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007 A Bonds"), in the original aggregate principal amount of \$200,000, by Lavalette Public Service District (the "Issuer"), under the terms of the resolution authorizing the Bonds, junior and subordinate, with respect to liens, pledge and source of and security for payment, to the Issuer's Water Revenue Bonds, Series 2006 C (West Virginia Infrastructure Fund), dated February 23, 2006, issued in the original aggregate principal amount of \$1,918,050 (the "Series 2006 C Bonds").

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY


Authorized Representative



**United States Department of Agriculture
Rural Development
West Virginia State Office**

August 28, 2007

**Lavalette Public Service District
Waterworks System Design Revenue Bonds, Series 2007A
(United States Department of Agriculture)**

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2007A (West Virginia Infrastructure Fund), in the original aggregate principal amount of \$200,000 (the "Bonds"), by Lavalette Public Service District (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bond (the "Resolution"), junior and subordinate, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 1993, dated July 17, 1993, Water Revenue Bonds Series 2006A, dated February 23, 2006, and Water Revenue Bonds, Series 2006B, dated February 23, 2006 (collectively, the "Prior Bonds").

WITNESSETH my signature on this 28th day of August, 2007.

A handwritten signature in black ink, appearing to read "Randy B. Plum". The signature is written in a cursive style and is positioned above a horizontal line.

**RANDY B. PLUM
Acting State Director**

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26705-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: <http://www.rurdev.usda.gov/wv>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W.,
Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

LAVALETTE PUBLIC SERVICE DISTRICT

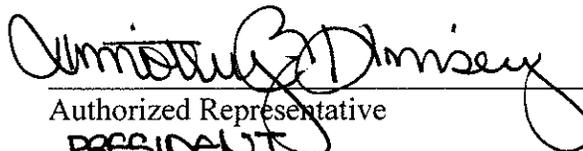
Waterworks System Design Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of United Bank, Inc., the present holder of the Series 2004 A Bonds, hereinafter defined and described, hereby (i) consents to the issuance of the Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund) (the "Series 2007 A Bonds"), in the original aggregate principal amount of \$200,000, by Lavalette Public Service District (the "Issuer"), under the terms of the resolution authorizing the Series 2007 A Bonds (the "Resolution"), junior and subordinate, with respect to liens, pledge and source of and security for payment, to the Issuer's Water Revenue Bonds, Series 2004 A (United Bank, Inc.), dated April 23, 2004, issued in the original aggregate principal amount of \$533,721 (the "Series 2004 A Bonds"); and (ii) waives any requirements imposed by the Series 2004 A Bonds or the resolution authorizing the Series 2004 A Bonds (the "Series 2004 A Bonds Resolution"), regarding the issuance of junior and subordinate bonds which are not met by the Series 2007 A Bonds or the Resolution.

Dated this 28th day of August, 2007.

UNITED BANK, INC.


Authorized Representative
PRESIDENT
CABELL / WAYNE MARKET

509380.00004

CH903887.1

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
07/09/2007

PRODUCER (304)375-4900 FAX (304)375-5843
3111 Bailey Insurance Agency
701 Highland Avenue
P. O. Box 246
Williamstown, WV 26187

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED Lavalette PSD
DBA: Attn: Darrell Wellman
5308 Rt. 152
Lavalette, WV 25535

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: American Alternative Insurance	
INSURER B:	
INSURER C:	
INSURER D:	
INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

NSR ADD'L TR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO. JECT <input type="checkbox"/> LOC	SK9103352-01	12/31/2006	12/31/2007	EACH OCCURRENCE	\$ 1,000,00
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 1,000,00
						MED EXP (Any one person)	\$ 10,00
						PERSONAL & ADV INJURY	\$ 1,000,00
						GENERAL AGGREGATE	\$ 3,000,00
						PRODUCTS - COMP/OP AGG	\$ 3,000,00
A		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	SA8050439-01	12/31/2006	12/31/2007	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,00
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN EA ACC	\$
						AUTO ONLY: AGG	\$
A		EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE RETENTION \$	SX9200975-01	12/31/2006	12/31/2007	EACH OCCURRENCE	\$ 1,000,00
						AGGREGATE	\$
							\$
							\$
							\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER				WC STATUTORY LIMITS	OTH-ER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
The certificate holder listed below is listed as additional insured.

CERTIFICATE HOLDER

West Virginia Development Authority
180 Association Drive
Charleston, WV 25311

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Darrell Wellman



CLOSING MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: August 28, 2007
Re: Lavalette Public Service District, Waterworks System Design Revenue Bonds, Series 2007 A (West Virginia Infrastructure Fund)

DISBURSEMENTS TO LAVALETTE PUBLIC SERVICE DISTRICT

Payor: West Virginia Infrastructure and Jobs Development Council
Source: Series 2007 A Bonds Proceeds
Amount: \$200,000
Form: Wire
Payee: Lavalette Public Service District
ABA #: 051900395
Account #: 006962596
Bank: United Bank, Inc.
Contact: Faye Cox, 781-2351

06.20.07
509380.00004

State of West Virginia
WATER DEVELOPMENT AUTHORITY
 180 Association Drive, Charleston, WV 25311-1217
 (304) 558-3612 - (304) 558-0299 (Fax)
 Internet: www.wvwda.org - Email: contact@wvwda.org

BOND CLOSING ATTENDANCE LIST

Date 8/28/07 Time 10:30 a.m. LGA Lavalette PSD Program IF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
Ryan White	Jackson Kelly PLLC	(304) 340 1883	(304) 340 1872	srwhite@jacksonkelly.com
Barbara B Meadows	Water Development Authority	304.558.3612	304.558.0299	bmeadows@wvwda.org
Bernie Zupkus	WATER DEV. AUTH.	304-558-3612	304-558-0299	dyonkosky@wvwda.org
John Stump	Stump + Johnson PLLC	304.353.8176	304.353.8181	john.stump@stumpjohnson.com

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

Name Darrell Wellman Telephone 304.525.3771 E-Mail N/A
 Address 5802 Route 152, Lavalette, West Virginia 25535

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