# PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

## Water Revenue Bonds, Series 2013 A
## (West Virginia Infrastructure Fund)

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**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**
**WATER REVENUE BONDS, SERIES 2013 A**
**(WEST VIRGINIA INFRASTRUCTURE FUND)**

**BOND RESOLUTION**

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**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2013 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 THE 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 PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

## 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. Preston County Public Service District No. 4 (the "Issuer") is a Public Service District and a public corporation and political subdivision of the State of West Virginia in Preston County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain extensions, additions,

betterments and improvements to the existing public waterworks system of the Issuer, consisting of installation of water lines, duplex booster stations, water storage tanks and pressure reducing stations (collectively, the "Project") (the existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $290,500 in one or more series being the Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $290,500 (the "Series 2013 A Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2013 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2013 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2013 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 32 years.

F. It is in the best interests of the Issuer that its Series 2013 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2013 A Bonds as to liens, pledge and source of and security for payment: (i) Water Revenue Bond, Series 1987 (United States Department of Agriculture),

dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds"); (ii) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds"); (iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds"); (iv) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 (the "Series 2010 A Bonds"); and Water Revenue Bond, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853 (the "Series 2012 A Bonds"), (collectively, the "Prior Bonds). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2013 A Bonds as to liens, pledge and/or source of and security for payment.

The Series 2013 A 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 2013 A 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 2013 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest, if any, on the Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein and in the Prior Resolutions, all as such terms are hereinafter defined.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2013 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2013 A Bonds or such final order will not be subject to appeal or rehearing.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2013 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 2013 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13A, and Chapter 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 2013 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2013 A Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2013 A Bonds for all or a portion of the proceeds of the Series 2013 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 Stantec Inc., Fairmont, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

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

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

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

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

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

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

"Grant" means all moneys received by the Issuer 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 Preston County Public Service District No. 4, a public service district, public corporation and political subdivision of the State of West Virginia, in Preston County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means, collectively, 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 2013 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2013 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2013 A Bonds Reserve Account.

"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 monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to

have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

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

"Prior Bonds" means the Series 1987 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds, the Series 2010 A Bonds, and the Series 2012 A Bonds.

"Prior Resolutions" means, collectively, the resolutions and supplemental resolutions of the Issuer authorizing the issuance of 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.

"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 to the Code.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by the Prior Resolutions as the Depreciation Reserve and renamed and continued hereby.

"Reserve Accounts" means, collectively, the respective Reserve Accounts established for the Series 2013 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any Reserve Account for the Prior Bonds and the Series 2013 A Bonds.

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

"RUS Bonds" means the Series 1987 Bonds and Series 1997 B Bonds.

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

"Series 1987 Bonds" means the Issuer's Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000.

"Series 2010 A Bonds" means the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000.

"Series 2012 A Bonds" means the Issuer's Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853.

"Series 2013 A Bonds" means the Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund) of the Issuer, authorized by this Resolution.

"Series 2013 A Bonds Construction Trust Fund" means the Series 2013 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2013 A Bonds Reserve Account" means the Series 2013 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2013 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 2013 A Bonds in the then current or any succeeding year.

"Series 2013 A Bonds Sinking Fund" means the Series 2013 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2013 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 2013 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2013 A Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2013 A Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete public waterworks system of the Issuer, as extended and improved by the Project, including the existing 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 System; and shall also include any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever.

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

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

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; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

## ARTICLE II

## AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

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 $11,962,311.28, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2013 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated not to exceed $11,962,311.28, of which approximately $290,500 will be obtained from proceeds of the Series 2013 A Bonds, and approximately $11,671,811.28 will be obtained from Abandoned Mine Lands grants.

## 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 2013 A Bonds, if any, funding reserve accounts for the Series 2013 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2013 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 the Series 2013 A Bonds of the Issuer. The Series 2013 A Bonds shall be issued in one or more series, initially as a single bond, designated respectively as "Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund)," in the principal amount of not more than $290,500, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2013 A Bonds remaining after capitalizing interest, if any, on the Series 2013 A Bonds, and funding the Series 2013 A Bonds Reserve Account shall be deposited in or credited to the Series 2013 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2013 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2013 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest,

if any, on the Series 2013 A Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2013 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 2013 A Bonds. The Series 2013 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall bear interest, if any, and shall be dated as set forth in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2013 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2013 A Bonds shall cease to be such officer of the Issuer before the Series 2013 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 such Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2013 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 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 2013 A Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2013 A Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2013 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2013 A Bonds shall be conclusively deemed to have agreed that such Bonds shall

be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2013 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 Series 2013 A Bonds.

The registered Series 2013 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 the Series 2013 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 2013 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate, register and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2013 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2013 A Bonds shall ever have the right to

compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2013 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2013 A Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds, the Series 2013 A 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 2013 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2013 A Bonds to the original purchasers upon receipt of the documents set forth below:

(i) If other than the Authority, a list of the names in which the Series 2013 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(ii) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2013 A Bonds to the original purchaser;

(iii) An executed and certified copy of the Bond Legislation;

(iv) Executed copy of the Loan Agreement;

(v) The unqualified approving opinion of bond counsel on the Series 2013 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2013 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2013 A BONDS)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2013 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this day ____ of _____, 2013, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 , a public service district, public corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20___, to and including _____ 1, 20___ as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference with interest of _____% per annum payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20___, to and including _____ 1, 20___ as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 2013.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance for the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 _____, 2013, and a Supplemental Resolution duly adopted by the Issuer on _____, 2013 (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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE ISSUER'S: (I) WATER REVENUE BONDS, SERIES 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS"); AND (V) WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), DATED NOVEMBER 21, 2012, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,903,853 (THE "SERIES 2012 A BONDS"), (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2013 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2013 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 2013 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 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 (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.

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IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2013 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: _____, 2013.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

_____

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

Dated: _____, 20____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2013 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council the schedule setting forth the actual costs of the Project and sources of funds.

## 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 Resolutions) 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 Prior Resolution and hereby continued);

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

(3) Series 1987 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Series 1997 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(5) Series 2013 A Bonds Construction Trust 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 the Prior Resolutions) 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 1997 A Bonds Sinking Fund (established by Prior Resolution and hereby continued);

(2) Series 1997 A Bonds Reserve Account (established by Prior Resolution and hereby continued);

(3) Series 2010 A Bonds Sinking Fund (established by Prior Resolution and hereby continued);

(4) Series 2010 A Bonds Reserve Account (established by Prior Resolution and hereby continued);

(5) Series 2012 A Bonds Sinking Fund (established by Prior Resolution and hereby continued);

(6) Series 2012 A Bonds Reserve Account (established by Prior Resolution and hereby continued);

(7) Series 2013 A Bonds Sinking Fund; and

(8) Series 2013 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 monies at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

(1) The Issuer shall first, each month, pay from the Revenue Fund, all current 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 (i) to the National Finance Office the amount required to pay interest on the RUS Bonds; (ii) to the Commission, the interest payments on the Series 1997 A Bonds, Series 2010 A Bonds and Series 2012 A Bonds, as required by Prior Resolutions; and (iii) to the Commission commencing 4 months prior to the first date of payment of interest of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will mature and come due on the Series 2013 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2013 A Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then

such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(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 to pay the principal of the RUS Bonds; (ii) on or before the due date thereof, remit to the Commission, the amount required to pay the principal of the Series 1997 A Bonds, Series 2010 A Bonds and Series 2012 A Bonds; and (iii) on the first day of each month, remit to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2013 A Bonds on the next ensuing quarterly principal payment date.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously remit (i) to the Depository Bank for deposit in the respective reserve accounts for the Series 1987 Bonds and Series 1997 B Bonds, the amounts required by the Prior Resolutions to be deposited therein, (ii) to the Commission the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts for the Series 1997 A Bonds, Series 2010 A Bonds and Series 2012 A Bonds; and (iii) to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2013 A Bonds, if not fully funded upon issuance of the Series 2013 A Bonds, for deposit in the Series 2013 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2013 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2013 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 2013 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund to 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 Accounts. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and 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 accounts have not, as of the date of determination of a deficiency, funded such accounts 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 2013 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2013 A Bonds. Monies in the Series 2013 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2013 A Bonds, when other monies in the Series 2013 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2013 A Bonds Sinking Fund and, the Series 2013 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2013 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2013 A Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2013 A Bonds Reserve Account which result in a reduction in the balance of the Series 2013 A Bonds Reserve Account to below the Series 2013 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 Prior Bonds and Series 2013 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 respective reserve accounts in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2013 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 parity and pro rata, with respect to the Prior Bonds, and the Series 2013 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. The Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2013 A Bonds Sinking Fund and the Series 2013 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2013 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2013 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. 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.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, 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.

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

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

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

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

I. All Tap Fees shall be deposited by the Issuer, as received, in the Series 2013 A Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

## ARTICLE VI

## BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2013 A Bonds the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2013 A Bonds, there shall first be deposited with the Commission in the Series 2013 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 2013 A Bonds for the period commencing on the date of issuance of the Series 2013 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. From the proceeds of the Series 2013 A Bonds, there shall next be deposited with the Commission in the Series 2013 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2013 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2013 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2013 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2013 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2013 A Bonds shall be applied as directed by the Council.

Section 6.02. Disbursements From the Series 2013 A Bonds Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements of the Series 2013 A Bonds shall be made only after submission to and approval from the Council, of a certificate, signed by an Authorized Officer, as appropriate, 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 2013 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## ARTICLE VII

## ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2013 A 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 2013 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 2013 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 2013 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Series 2013 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2013 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2013 A Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2013 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 and the Issuer shall provide an opinion of counsel of such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall provide a certificate of certified public accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended Decision of the Public Service Commission of West Virginia dated May 4, 2012, which became Final Order on May 24, 2012, in Case No. 11-0995-PWD-42A.

So long as the Series 2013 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2013 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Series 2013 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority, and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2013 A Bonds, immediately be remitted to the Commission for deposit in the respective Sinking Funds, and, with the written permission of the Authority and the Council, or, in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2013 A Bonds. Any balance remaining after the payment of the Series 2013 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful

or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000, but not in excess of $50,000, the Issuer shall first, in writing, determine 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 derived from any such sale, lease or other disposition of such property 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 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 2013 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2013 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 2013 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 2013 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 2013 A Bonds and the interest thereon, if any, in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2013 A Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the Council under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolutions).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2013 A Bonds.

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

So long as the RUS Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds 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 foregoing limitation may be waived or modified by the written consent of the Holders of the RUS Bonds, representing 75% of the then-outstanding principal indebtedness.

So long as the Series 1997 A Bonds, Series 2010 A Bonds, Series 2012 A Bonds or Series 2013 A Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by 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 (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2013 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 2013 A Bonds.

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

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

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

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

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

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 2013 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2013 A Bonds and the Consulting Engineer, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and in

compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2013 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 2013 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall permit the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Purchaser, 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 2013 A Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2013 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2013 A Bonds, including the Prior Bonds; provided that, in the event amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2013 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2013 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 2013 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2013 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.

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

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

The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2013 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer

will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; 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, Operation and Maintenance of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer shall take all steps to properly operate and maintain the System and make the necessary replacements due to normal wear and tear so long as the Series 2013 A Bonds are outstanding.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the financing, acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2013 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Reserved.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2013 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 2013 A Bonds, which statutory mortgage lien shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Loan Agreement attached hereto as Exhibit A IS incorporated herein in its entirety. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer shall also comply with all applicable federal and state statutes, rules and regulations, applicable local ordinances issued by the Authority, the Council or other

state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

The Issuer shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia in the manner prescribed by and the guidelines established by the Authority and the PSC.

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

Section 7.22. Contracts; Change Orders; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2013 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2013 A 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 Council before expending any proceeds of the Series 2013 A Bonds made available due to bid or construction or project underruns.

C. 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 of the Project.

## ARTICLE VIII

## INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2013 A Bonds are outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2013 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 2013 A Bonds as a condition to issuance of the Series 2013 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 2013 A Bonds as may be necessary in order to maintain the status of the Series 2013 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 2013 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 2013 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 2013 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 2013 A 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 2013 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 2013 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2013 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar or any other Paying Agent or a Holder of a Bond; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2013 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 Owners of the Series 2013 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2013 A Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2013 A Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2013 A Bonds 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 the Series 2013 A Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 Series 2013 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 2013 A Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Series 2013 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 Holders of the Series 2013 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2013 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2013 A Bonds from gross income for federal income tax purposes.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2013 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2013 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 2013 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2013 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 Series 2013 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 excludability of interest, if any, on the Series 2013 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 2013 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 2013 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. Notices. All notices to be sent to the Issuer, the Authority or the Council shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:

Preston County Public Service District No.4
Post Office Box 370
Bruceton Mills, West Virginia 26525
Attention: Chairman

AUTHORITY:

Water Development Authority
1009 Bullitt Street
Charleston, West Virginia 25311-1571
Attention: Director

COUNCIL:

West Virginia Infrastructure & Jobs Development Council
1009 Bullitt Street
Charleston, WV 25311
Attention: Executive Director

All notices to be sent to the Council hereunder, shall also be sent to the Authority.

Section 11.06. Conflicting Provisions Repealed; Prior Resolutions Except for the Prior Resolutions, all orders, ordinances or resolutions, or parts thereof, in conflict with the provisions of this Resolution are to the extent of such conflict, hereby repealed; provided that, this Section shall not be applicable to the Prior Resolutions. In the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.07. Covenant of Due Procedure, Etc The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body

were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

[Remainder of Page Intentionally Blank]

Adopted this 16th day of October, 2013.

Robert A Bailey
Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 16th day of October, 2013.

Dated: October 23, 2013.

[SEAL]

Secretary

723800.00010

EXHIBIT A

Loan Agreement included in bond transcript as Document 3

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(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 2013 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING AND APPROVING 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 SERIES 2013 A BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Preston County Public Service District No. 4 (the "Issuer") has duly and officially adopted a bond resolution, on October 16, 2013 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2013 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 THE 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 meanings set forth in the Bond Resolution when used herein;

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund) of the Issuer (the "Series 2013 A Bonds"), in the aggregate principal amount not to exceed $290,500 and has authorized the execution and delivery of the loan agreement relating to the Series 2013 A 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") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13 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 Series 2013 A Bonds should be established by a supplemental resolution pertaining to the Series 2013 A Bonds; and that other matters relating to the Series 2013 A Bonds be herein provided for;

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

WHEREAS, the Series 2013 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and entered into 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 and the sale prices of the Series 2013 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2013 A Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

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 Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $290,500. The Series 2013 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2045, and shall bear interest at the rate of 2.0% per annum. The principal and interest of the Series 2013 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2015, to and including June 1, 2045, and in the amounts as set forth in the "Schedule Y" attached to the Series 2013 A Bonds Loan Agreement and incorporated in and made a part of the Series 2013 A Bonds. The Series 2013 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Series 2013 A Bonds Loan Agreement, so long as the Authority shall be the registered owner of the Series 2013 A Bonds.

Section 2. All other provisions relating to the Series 2013 A Bonds and the text of the Series 2013 A Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, including all schedules and exhibits attached thereto, copies of which are incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The price of the Series 2013 A Bonds shall be 100% of par value, there being no interest accrued thereon; provided that, the proceeds of the Series 2013 A Bonds will 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 2013 A Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 2013 A 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 2013 A Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Clear Mountain Bank, Bruceton Mills, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2013 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2013 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 2013 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2013 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2013 A Bonds shall be deposited in or credited to the Series 2013 A Bonds Construction Trust Fund as received from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2013 A Bonds and related costs.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2013 A Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 2013 A Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about October 23, 2013.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Series 2013 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 does hereby ratify, approve and accept all contracts relating to the financing, acquisition and construction of the Project.

Section 13. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Left Blank]

Adopted this 16th day of October, 2013.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 16th day of October, 2013.

Dated: October 23, 2013.

[SEAL]

James R. Summers

Secretary

723800.00010

IC-1
(07/13)

# 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").

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
(2011W-1241)

(Governmental Agency)

W I T N E S S E T H:

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

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

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

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

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

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

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

## ARTICLE I

## Definitions

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

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

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

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

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

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

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

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

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

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

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

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

## ARTICLE II

### The Project and the System

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

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has

done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

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

2.4 The Governmental Agency agrees that the Authority and the Council and their duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and the Council and their duly authorized agents and representatives shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Council with respect to the System pursuant to the pertinent provisions of the Act.

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

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

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

covered by the particular contract as security for the faithful performance of such contract and shall verify or have verified such bonds prior to commencement of construction.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and Council.

2.13 The Governmental Agency shall serve the additional customers at the location(s) as set forth in Schedule X. The Governmental Agency shall not reduce the amount of additional customers served by the project without the prior written approval of the WDA Board. Following completion of the Project the Governmental Agency shall certify to the Authority the number of customers added to the System.

2.14 The Governmental Agency shall perform an annual maintenance audit which maintenance audit shall be submitted to the WDA and the Public Service Commission of West Virginia.

## ARTICLE III

### Conditions to Loan; Issuance of Local Bonds

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

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

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

(c) The Governmental Agency shall either have received bids or entered into contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the Loan will refund an interim construction financing, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case,

the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

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

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

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, including compliance with Chapter 21, Article 1D of the Code of West Virginia, 1931, as amended, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

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

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

(i) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has

been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of projects and satisfactory to the Authority and the Council, to such effect, such certificate to be in form and substance satisfactory to the Authority and the Council, and evidence satisfactory to the Authority and the Council of such irrevocably committed grants.

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

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

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

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

execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

## ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

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

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

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

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus

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

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

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

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

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

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that 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 Governmental Agency's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and

maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

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

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

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

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

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month. When required by the Authority, the Local Entity shall make monthly payments to the Commission by electronic transfer;

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

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

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

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

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

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

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not

limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

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

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

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

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

## ARTICLE V

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

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

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

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

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

## ARTICLE VI

### Other Agreements of the Governmental Agency

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

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

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

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

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

## ARTICLE VII

## Miscellaneous

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

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

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

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

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

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

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

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

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

7.10 This Loan Agreement shall terminate upon the earlier of:

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

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

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

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

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

(SEAL)

By: Robert A Bailey
Its: Chairman
Date: October 23, 2013

Attest:
James R. Summers
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: _____
Its: Executive Director
Date: October 23, 2013

Attest:
Karla A Miller
Its: Authorized Officer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____

(Issuer)

_____

(Name of Bonds)

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

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

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

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

as Exhibit A, and my firm[1] has ascertained that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the DEP and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof[2], the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Funding Assistance Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the DEP; (xi) the Project was designed and will be constructed in compliance with the provisions of West Virginia Code Chapter 22, Article 29; and (xii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

4. The Project will serve _____ new customers in the _____ area.

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

[SEAL]

_____

By: _____
West Virginia License No. _____

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

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

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
1009 Bullitt Street
Charleston, WV 25301

West Virginia Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

Ladies and Gentlemen:

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

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

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

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds

are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

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

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

_____
**Name of Person Completing Form**

_____
**Address**

_____
**Telephone**

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

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

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

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

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

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

EXHIBIT D

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

Re: [Name of bond issue]

Ladies and Gentlemen:

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

| | | |
|---|---|---|
| Sinking Fund: | | |
| Interest | $ | |
| Principal | $ | |
| Total: | | $ |
| Reserve Account: | | $ |

Witness my signature this ___ day of_____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

| | |
|---|---|
| Principal Amount of Local Bonds | $290,500 |
| Purchase Price of Local Bonds | $290,500 |

The Local Bonds shall bear interest at a rate of 2% per annum provided that no interest accrues until June 1, 2015. Commencing September 1, 2015, principal of and interest on the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall authorize the Commission to electronically debit its monthly payments. The Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

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

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

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

(i) Preston County Public Service District No. 4 Water Revenue Bond, Series 1987 (United States Department of Agriculture),dated May 11, 1988, issued in the original aggregate principal amount of $370,000;

(ii) Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000;

(iii) Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000;

(iv) Preston County Public Service District No. 4 Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 ; and

(v) Preston County Public Service District No. 4 Water Revenue Bond, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853

Number of New Users: 384
Location: Lenox and Cuzzart areas of Preston County

# SCHEDULE Y
# DEBT SERVICE SCHEDULE

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

Dated Date 10/23/2013

Delivery Date 10/23/2013

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 9/1/2015 | 1,773 | 2.000% | 1,452.50 | 3,225.50 |
| 12/1/2015 | 1,782 | 2.000% | 1,443.64 | 3,225.64 |
| 3/1/2016 | 1,790 | 2.000% | 1,434.73 | 3,224.73 |
| 6/1/2016 | 1,799 | 2.000% | 1,425.78 | 3,224.78 |
| 9/1/2016 | 1,808 | 2.000% | 1,416.78 | 3,224.78 |
| 12/1/2016 | 1,817 | 2.000% | 1,407.74 | 3,224.74 |
| 3/1/2017 | 1,826 | 2.000% | 1,398.66 | 3,224.66 |
| 6/1/2017 | 1,836 | 2.000% | 1,389.53 | 3,225.53 |
| 9/1/2017 | 1,845 | 2.000% | 1,380.35 | 3,225.35 |
| 12/1/2017 | 1,854 | 2.000% | 1,371.12 | 3,225.12 |
| 3/1/2018 | 1,863 | 2.000% | 1,361.85 | 3,224.85 |
| 6/1/2018 | 1,873 | 2.000% | 1,352.54 | 3,225.54 |
| 9/1/2018 | 1,882 | 2.000% | 1,343.17 | 3,225.17 |
| 12/1/2018 | 1,891 | 2.000% | 1,333.76 | 3,224.76 |
| 3/1/2019 | 1,901 | 2.000% | 1,324.31 | 3,225.31 |
| 6/1/2019 | 1,910 | 2.000% | 1,314.80 | 3,224.80 |
| 9/1/2019 | 1,920 | 2.000% | 1,305.25 | 3,225.25 |
| 12/1/2019 | 1,929 | 2.000% | 1,295.65 | 3,224.65 |
| 3/1/2020 | 1,939 | 2.000% | 1,286.01 | 3,225.01 |
| 6/1/2020 | 1,949 | 2.000% | 1,276.31 | 3,225.31 |
| 9/1/2020 | 1,959 | 2.000% | 1,266.57 | 3,225.57 |
| 12/1/2020 | 1,968 | 2.000% | 1,256.77 | 3,224.77 |
| 3/1/2021 | 1,978 | 2.000% | 1,246.93 | 3,224.93 |
| 6/1/2021 | 1,988 | 2.000% | 1,237.04 | 3,225.04 |
| 9/1/2021 | 1,998 | 2.000% | 1,227.10 | 3,225.10 |
| 12/1/2021 | 2,008 | 2.000% | 1,217.11 | 3,225.11 |
| 3/1/2022 | 2,018 | 2.000% | 1,207.07 | 3,225.07 |
| 6/1/2022 | 2,028 | 2.000% | 1,196.98 | 3,224.98 |
| 9/1/2022 | 2,038 | 2.000% | 1,186.84 | 3,224.84 |
| 12/1/2022 | 2,048 | 2.000% | 1,176.65 | 3,224.65 |
| 3/1/2023 | 2,059 | 2.000% | 1,166.41 | 3,225.41 |
| 6/1/2023 | 2,069 | 2.000% | 1,156.12 | 3,225.12 |
| 9/1/2023 | 2,079 | 2.000% | 1,145.77 | 3,224.77 |
| 12/1/2023 | 2,090 | 2.000% | 1,135.38 | 3,225.38 |
| 3/1/2024 | 2,100 | 2.000% | 1,124.93 | 3,224.93 |
| 6/1/2024 | 2,111 | 2.000% | 1,114.43 | 3,225.43 |
| 9/1/2024 | 2,121 | 2.000% | 1,103.87 | 3,224.87 |
| 12/1/2024 | 2,132 | 2.000% | 1,093.27 | 3,225.27 |
| 3/1/2025 | 2,143 | 2.000% | 1,082.61 | 3,225.61 |
| 6/1/2025 | 2,153 | 2.000% | 1,071.89 | 3,224.89 |
| 9/1/2025 | 2,164 | 2.000% | 1,061.13 | 3,225.13 |
| 12/1/2025 | 2,175 | 2.000% | 1,050.31 | 3,225.31 |
| 3/1/2026 | 2,186 | 2.000% | 1,039.43 | 3,225.43 |

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 6/1/2026 | 2,197 | 2.000% | 1,028.50 | 3,225.50 |
| 9/1/2026 | 2,208 | 2.000% | 1,017.52 | 3,225.52 |
| 12/1/2026 | 2,219 | 2.000% | 1,006.48 | 3,225.48 |
| 3/1/2027 | 2,230 | 2.000% | 995.38 | 3,225.38 |
| 6/1/2027 | 2,241 | 2.000% | 984.23 | 3,225.23 |
| 9/1/2027 | 2,252 | 2.000% | 973.03 | 3,225.03 |
| 12/1/2027 | 2,263 | 2.000% | 961.77 | 3,224.77 |
| 3/1/2028 | 2,275 | 2.000% | 950.45 | 3,225.45 |
| 6/1/2028 | 2,286 | 2.000% | 939.08 | 3,225.08 |
| 9/1/2028 | 2,297 | 2.000% | 927.65 | 3,224.65 |
| 12/1/2028 | 2,309 | 2.000% | 916.16 | 3,225.16 |
| 3/1/2029 | 2,321 | 2.000% | 904.62 | 3,225.62 |
| 6/1/2029 | 2,332 | 2.000% | 893.01 | 3,225.01 |
| 9/1/2029 | 2,344 | 2.000% | 881.35 | 3,225.35 |
| 12/1/2029 | 2,356 | 2.000% | 869.63 | 3,225.63 |
| 3/1/2030 | 2,367 | 2.000% | 857.85 | 3,224.85 |
| 6/1/2030 | 2,379 | 2.000% | 846.02 | 3,225.02 |
| 9/1/2030 | 2,391 | 2.000% | 834.12 | 3,225.12 |
| 12/1/2030 | 2,403 | 2.000% | 822.17 | 3,225.17 |
| 3/1/2031 | 2,415 | 2.000% | 810.15 | 3,225.15 |
| 6/1/2031 | 2,427 | 2.000% | 798.08 | 3,225.08 |
| 9/1/2031 | 2,439 | 2.000% | 785.94 | 3,224.94 |
| 12/1/2031 | 2,451 | 2.000% | 773.75 | 3,224.75 |
| 3/1/2032 | 2,464 | 2.000% | 761.49 | 3,225.49 |
| 6/1/2032 | 2,476 | 2.000% | 749.17 | 3,225.17 |
| 9/1/2032 | 2,488 | 2.000% | 736.79 | 3,224.79 |
| 12/1/2032 | 2,501 | 2.000% | 724.35 | 3,225.35 |
| 3/1/2033 | 2,513 | 2.000% | 711.85 | 3,224.85 |
| 6/1/2033 | 2,526 | 2.000% | 699.28 | 3,225.28 |
| 9/1/2033 | 2,538 | 2.000% | 686.65 | 3,224.65 |
| 12/1/2033 | 2,551 | 2.000% | 673.96 | 3,224.96 |
| 3/1/2034 | 2,564 | 2.000% | 661.21 | 3,225.21 |
| 6/1/2034 | 2,577 | 2.000% | 648.39 | 3,225.39 |
| 9/1/2034 | 2,590 | 2.000% | 635.50 | 3,225.50 |
| 12/1/2034 | 2,603 | 2.000% | 622.55 | 3,225.55 |
| 3/1/2035 | 2,616 | 2.000% | 609.54 | 3,225.54 |
| 6/1/2035 | 2,629 | 2.000% | 596.46 | 3,225.46 |
| 9/1/2035 | 2,642 | 2.000% | 583.31 | 3,225.31 |
| 12/1/2035 | 2,655 | 2.000% | 570.10 | 3,225.10 |
| 3/1/2036 | 2,668 | 2.000% | 556.83 | 3,224.83 |
| 6/1/2036 | 2,682 | 2.000% | 543.49 | 3,225.49 |
| 9/1/2036 | 2,695 | 2.000% | 530.08 | 3,225.08 |
| 12/1/2036 | 2,709 | 2.000% | 516.60 | 3,225.60 |
| 3/1/2037 | 2,722 | 2.000% | 503.06 | 3,225.06 |
| 6/1/2037 | 2,736 | 2.000% | 489.45 | 3,225.45 |
| 9/1/2037 | 2,749 | 2.000% | 475.77 | 3,224.77 |
| 12/1/2037 | 2,763 | 2.000% | 462.02 | 3,225.02 |

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 3/1/2038 | 2,777 | 2.000% | 448.21 | 3,225.21 |
| 6/1/2038 | 2,791 | 2.000% | 434.32 | 3,225.32 |
| 9/1/2038 | 2,805 | 2.000% | 420.37 | 3,225.37 |
| 12/1/2038 | 2,819 | 2.000% | 406.34 | 3,225.34 |
| 3/1/2039 | 2,833 | 2.000% | 392.25 | 3,225.25 |
| 6/1/2039 | 2,847 | 2.000% | 378.08 | 3,225.08 |
| 9/1/2039 | 2,861 | 2.000% | 363.85 | 3,224.85 |
| 12/1/2039 | 2,876 | 2.000% | 349.54 | 3,225.54 |
| 3/1/2040 | 2,890 | 2.000% | 335.16 | 3,225.16 |
| 6/1/2040 | 2,904 | 2.000% | 320.71 | 3,224.71 |
| 9/1/2040 | 2,919 | 2.000% | 306.19 | 3,225.19 |
| 12/1/2040 | 2,934 | 2.000% | 291.60 | 3,225.60 |
| 3/1/2041 | 2,948 | 2.000% | 276.93 | 3,224.93 |
| 6/1/2041 | 2,963 | 2.000% | 262.19 | 3,225.19 |
| 9/1/2041 | 2,978 | 2.000% | 247.37 | 3,225.37 |
| 12/1/2041 | 2,993 | 2.000% | 232.48 | 3,225.48 |
| 3/1/2042 | 3,008 | 2.000% | 217.52 | 3,225.52 |
| 6/1/2042 | 3,023 | 2.000% | 202.48 | 3,225.48 |
| 9/1/2042 | 3,038 | 2.000% | 187.36 | 3,225.36 |
| 12/1/2042 | 3,053 | 2.000% | 172.17 | 3,225.17 |
| 3/1/2043 | 3,068 | 2.000% | 156.91 | 3,224.91 |
| 6/1/2043 | 3,084 | 2.000% | 141.57 | 3,225.57 |
| 9/1/2043 | 3,099 | 2.000% | 126.15 | 3,225.15 |
| 12/1/2043 | 3,114 | 2.000% | 110.65 | 3,224.65 |
| 3/1/2044 | 3,130 | 2.000% | 95.08 | 3,225.08 |
| 6/1/2044 | 3,146 | 2.000% | 79.43 | 3,225.43 |
| 9/1/2044 | 3,161 | 2.000% | 63.70 | 3,224.70 |
| 12/1/2044 | 3,177 | 2.000% | 47.90 | 3,224.90 |
| 3/1/2045 | 3,193 | 2.000% | 32.01 | 3,225.01 |
| 6/1/2045 | 3,209 | 2.000% | 16.05 | 3,225.05 |
| | 290,500 | | 96,518.50 | 387,018.50 |

# SCHEDULE Z

(None)

101 South Queen Street
Martinsburg, West Virginia 25401

7000 Hampton Center
Morgantown, West Virginia 26505

511 7th Street
Moundsville, West Virginia 26041

501 Avery Street
Parkersburg, West Virginia 26101

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Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130
Winchester, Virginia 22601

October 15, 2013

James V. Kelsh
Telephone — (304) 347-1135
Facsimile — (304) 343-3058

E-Mail Address:
jkelsh@bowlesrice.com

05:00 PM OCT 15 2013 PSC EXEC SEC D

**HAND DELIVERY**

Sandra Squire
Executive Secretary
Public Service Commission of West Virginia
201 Brooks Street
Charleston, West Virginia 25301

Re: Preston County Public Service District No. 4
Case Nos. 11-0995-PWD-42A, 11-1435-PWD-CN, 11-1734-PWD-PC-PW

Dear Ms. Squire:

By a May 4, 2012 Recommended Decision which became a final order on May 24, 2012 in the above referenced consolidated matters, the Preston County Public Service District No. 4 ("District") was granted a certificate of convenience and necessity for both the Clifton Mills project ("Clifton Mills Project") and the Lennox Cuzzart project ("Lennonx Cuzzart Project"). The Commission's order provided that if the cost of the two projects changes, but the change does not affect rates, then the District must file an affidavit from its accountant to that effect.

The District previously closed on the Clifton Mills Project. The District expects to close on the Lennox Cuzzart Project later this month.

Enclosed for filing as a closed entry only, please find an affidavit from the District's accountant in compliance with the Commission's order. I also enclose a copy of the certified bid tabulations for the Lennox Cuzzart Project.

Very truly yours,

James V. Kelsh

JVK/kg
Enclosure
cc: Lucas Head, Esq.
Katy Mallory

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

CASE NO.: 11-0995-PWD-42A
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
a public utility, Bruceton Mills, Preston County.
Rule 42A application to increase water rates and charges;

CASE NO.: 11-1435-PWD-CN
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
a public utility, Bruceton Mills, Preston County.
Application for a certificate of public convenience and necessity to construct the Clifton Mills and Lenox/Cuzzart project, and for approval of funding and rates related to the project;

CASE NO.: 11-1734-W-PWD-PC-PW
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
a public utility, and TOWN OF BRUCETON MILLS, a municipal utility, Bruceton Mills, Preston County.
Joint Petition for consent and approval of Transfer Agreement, and for waiver of filing of financial information.

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

AFFIDAVIT

We have reviewed the Recommended Decision of the Public Service Commission of West Virginia in Case No. 11-0995-PWD-42A, 11-1435-PWD-CN and 11-1734-W-PWD-PC-PW entered May 4, 2012 which became a Final Order on May 24, 2012 approving the financing of the Cliffton Mills and Lenox/Cuzzart portions of the Project to be (a) an AML grant of $12,782,455; (b) an IJDC grant of $45,000, (c) an IJDC loan of $290,500 with terms of 2% interest for 30 years; (d) a DWTRF loan of $3,903,854 with terms of 0.5% interest and 0.5% admin fee for 30 years; and (e) a forgivable DWTRF loan of $605,000.

A CPA Affidavit dated November 6, 2012 was filed indicating that based upon all the information that has been provided, to date, we are of the opinion that the rates and charges are not affected by the revised funding for the Cliffton Mills portion of the Project consisting of: (a) an AML grant of $366,917; (b) an IJDC grant of $45,000; (c) a DWTRF loan of $3,903,853 with terms of 0.5% interest and 0.5% admin fee for 30 years; and (d) a forgivable DWTRF loan of $605,000. The District closed the Cliffton Mills Project on November 21, 2012.

*Michael D. Griffith, CPA, AFI*
*mgriffith@gcorpwv.com*
*950 Little Coal River Road Alum Creek, WV 25003*
*Phone: (304) 756.3600 Facsimile: (304) 756.2911*

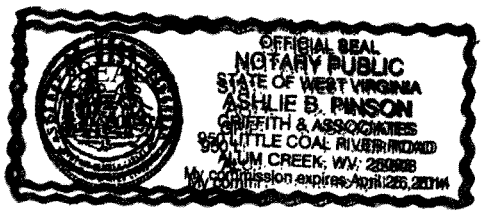
Based upon all the information that has been provided, to date, we are of the opinion that the rates and charges are not affected by the revised funding of the Lenox/Cuzzart portion of the Project consisting of: (a) an AML grant of $11,671,811.28; and (b) an IJDC loan of $290,500 with terms of 2% interest for 30 years.

This Affidavit is executed on the 14th day of October, 2013.

Griffith & Associates, PLLC

Taken, subscribed and sworn to before me this 14th day of October, 2013.

My commission expires April 26 2014.




Notary Public

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: May 4, 2012

FINAL

5/24/2012

CASE NO. 11-0995-PWD-42A

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4,
a public utility, Bruceton Mills, Preston County.
Rule 42A application to increase water rates and charges;

CASE NO. 11-1435-PWD-CN

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4,
a public utility, Bruceton Mills, Preston County.
Application for a certificate of public convenience and necessity to construct the Clifton Mills and Lenox/Cuzzart project, and for approval of funding and rates related to the project;

CASE NO. 11-1734-W-PWD-PC-PW

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4,
a public utility, and TOWN OF BRUCETON MILLS, a municipal utility,
Bruceton Mills, Preston County.
Joint Petition for consent and approval of Transfer Agreement, and for waiver of filing of financial information.

## RECOMMENDED DECISION

## INTRODUCTION

This Recommended Decision (i) approves increased rates and charges for the Preston County Public Service District No. 4 (District); (ii) grants the District's certificate application filed on September 30, 2011; and (iii) approves the joint petition filed by the District and the Town of Bruceton Mills for approval of a transfer agreement and waiver from filing financial information.

## PROCEDURE

*Rate Case Filing, Case No. 11-0995-PWD-42A*

On July 11, 2011, Preston County Public Service District No. 4, a public utility, Bruceton Mills, Preston County, tendered for filing an application for increased rates and charges of $144,342, annually, in additional revenue for furnishing water service to approximately 947 residential customers, the Federal Bureau of Prisons, and the Bruceton Water Department, its resale customer. According to the filing, rates to each customer class will increase by 23%, if the rate increase is granted. Additionally, the District requested an increase to its leak adjustment and requested that it be granted approval to impose a service charge on EFT, Credit Card or Drop Box payments.

By Commission Order entered on July 22, 2011, the Commission suspended the revised rates and charges and the use thereof until 12:01 a.m., Friday, December 9, 2011. Additionally, the Preston County Public Service District No. 4 was made a respondent to this proceeding and ordered to immediately provide notice of the rate increase to its customers as required by the Tariff Rules; Commission Staff was ordered to file its audit report, including performing a Class Cost of Service Study, on Wednesday, September 7, 2011; and the matter was referred to the Division of Administrative Law Judges with a decision due date of Wednesday, October 26, 2011.

On August 8, 2011, Commission Staff moved for dismissal of the rate proceeding, citing to deficiencies in the Rule 42 exhibit filed by the Preston County Public Service District No. 4 which have hampered Staff's ability to undertake a review of the revised rates and charges. Specifically, Staff cited to the lack of sufficient data to determine payroll increases at going-level and a deficient bill analysis that was not segregated into categories consistent with the District's Annual Report. According to Staff, since the District has separate rates for its separate classes of customers, it is required to submit a separate bill analysis for each rate as required by the Tariff Rules. Staff also moved for expedited treatment since its report due date was September 7, 2011. As evidenced by the certificate of service, a copy of Staff's motion was mailed to the District's legal counsel by United States First Class Mail, postage prepaid, on August 8, 2011.

On August 15, 2011, Commission Staff filed an Initial Joint Staff Memorandum referencing its motion to dismiss and reiterating its position that the case should be dismissed. A copy of the Initial Joint Staff Memorandum was mailed to legal counsel for the District on August 15, 2011, along with a cover letter prepared by the Commission's Executive Secretary advising the District of its right to file a response thereto within ten days of the date of the cover letter.

By Procedural Order issued on September 2, 2011, the Preston County Public Service District No. 4 was ordered to respond to the Staff's motion for dismissal, including filing the information missing from its rate application; to resolve the processing time constraint associated with the case; and to file the appropriate affidavits and certificates which verified that proper notice of the rate increase had been provided by the District to its customers.

On September 7, 2012, Staff filed a motion with the Commissioners of the Public Service Commission requesting dismissal of the rate case; expedited treatment; or, in the alternative, an extension in the decision due date.

On September 9, 2011, the District filed a response to the September 2, 2011 Procedural Order consisting of an amended Statement A-1, Bill Analysis, Statement G, and Detail of Payroll; an Affidavit of Publication from The Preston County Journal; an Affidavit of Mailing to Resale Customer; a press release related to the proposed rate increase; and a Statement of Mailing and Posting. The District also requested that its rate case be converted to a Tariff Rule 42A proceeding.

On September 19, 2011, the District filed a notice of substitution in counsel. On September 20, 2011, the District's new counsel requested an extension of time to respond to Staff's Motion.

By Order entered on September 21, 2011, the Commission, inter alia, converted the case to a Rule 42A proceeding; revised Staff's report date to January 17, 2012; and extended the decision due date to April 6, 2012.

On January 17, 2012, Commission Staff filed its substantive report and rate recommendation in this case.

On January 18, 2012, the District filed a Motion to Toll the Statutory Due Date in Certificate Case, Extend the Administrative Law Judge Decision Due Date, Consolidate Cases, and to Establish a Common Decision Due Date. On January 20, 2012, the District clarified its Motion to include all three of the cases mentioned in the Motion since it had inadvertently left off Case Nos. 11-1435-PWD-CN and 11-1734-W-PWD-PC-PW from the Motion's cover letter.

*Certificate Case, Case No. 11-1435-PWD-CN*

On September 30, 2011, Preston County Public Service District No. 4 filed a verified application, with supporting documentation, for a certificate of public convenience and necessity pursuant to West Virginia Code §24-2-11 to construct and install waterline extensions in the Lenox/Cuzzart and Clifton Mills areas of Preston County, in order to collectively serve approximately 498 new customers. According to the application, the District seeks to also upgrade the existing Glade Run water treatment facility and well fields. The total estimated cost of the project is $17,626,809 to be funded by various grants and loans to be provided as follows: grants from the West Virginia Department of Environmental Protection's Abandoned Mines Land Program totaling $12,461,455; a grant from the West Virginia Infrastructure and Jobs Development Council in the amount of $650,000; a loan from the West Virginia Infrastructure Jobs and Development Council in the amount of $290,500 at 2% interest for 30 years; and a loan from the West Virginia Bureau of Public Health's Drinking Water Treatment Revolving Fund in the amount of $3,903,854 at 1% interest for 30 years. The District requested a

post-project rate increase of 32%, over and above the 23% increase it requested in its pending rate case.

By Order entered on October 7, 2011, the District was ordered to give notice of the pending Notice of Filing in qualified newspapers in each of the counties wherein it provides service in addition to complying with specific notice requirements regarding the proposed rate increase associated with the project.

By Commission Orders entered on October 11 and November 3, 2011, the matter was referred to the Division of Administrative Law Judges with a decision due date of on or before February 13, 2012, if no substantial protest is filed within thirty days of the publication of the Notice of Filing, and a due date of April 27, 2012, if substantial protest is filed within thirty days of the publication of the Notice of Filing.

On November 1, 2011, an Initial Joint Staff Memorandum was filed by Commission Staff wherein Staff pointed out certain deficiencies associated with the District's filing.

On November 9, 2011, the District filed a response to the Initial Joint Staff Memorandum stating that it would file the additional information requested of it by Staff on November 21, 2011.

On November 18, 2011, the District filed the Affidavit of Publication, the Statement of Mailing on Postcard and a letter confirming the mailing of the Notice of Filing to its resale customer.

On November 21, 2011, the District filed a response to the Initial Joint Staff Memorandum, including a revised Rule 42 exhibit and proof of the project's funding commitments.

On November 30, 2011, the District filed an updated report regarding the status of the project's permits.

On December 22, 2011, Commission Staff filed a Final Joint Staff Memorandum recommending that the certificate application be tolled or, in the alternative, dismissed. Staff indicated that the application, if tolled, should be tolled for 120 days given that the West Virginia Bureau of Public Health's Office of Environmental Services permit needs to be processed and other revisions need to be made.

On January 9, 2012, the District filed a response to the Final Joint Staff Memorandum stating that it would file further information relating to a possible tolling of the application by Friday, January 13, 2012.

On January 20, 2012, the District filed a Motion to Toll the Statutory Dude Date in Certificate Case, Extend the Administrative Law Judge Decision Due Date, Consolidate Cases, and to Establish a Common Decision Due Date.

*Joint Petition, Case No. 11-1734-W-PWD-PC-PW*

On December 2, 2011, a joint petition was filed by the Preston County Public Service District No. 4 and the Town of Bruceton Mills (Town) (jointly, Petitioners) seeking the Commission's consent and approval, under West Virginia Code §24-2-12(b) and Procedural Rule 10.6., for a Transfer Agreement between the District and Town. The Petitioners also seek a waiver from filing certain financial information required by Procedural Rule 10.6. Specifically, the District wants to purchase the Town's water production facilities and related real property interests for $50,000, to be paid from project funds in Case No. 11-1435-PWD-CN. If the joint petition is approved, the water production facilities will increase the District's water production capacity. The District will use the increase in water production to serve additional customers which the District expects to add pursuant to its pending certificate.

On December 19, 2011, the joint Petitioners filed verifications to the petition.

On January 6, 2012, Commission Staff filed an Initial Joint Staff Memorandum in the case reciting some of the particulars of the petition and advising, in part, that its review was on-going.

On January 17, 2012, the District advised that it would respond to Staff's recommendation of consolidation on January 18, 2012. Staff had recommended in the Initial Joint Staff Memorandum that the joint petition and the District's pending certificate case be consolidated.

On January 20, 2012, the District filed a Motion to Toll the Statutory Dude Date in Certificate Case, Extend the Administrative Law Judge Decision Due Date, Consolidate Cases, and to Establish a Common Decision Due Date.

*Consolidated Cases*

By Commission Order entered on January 25, 2012, the Commission, among other things, consolidated Case Nos. 11-0995-PWD-42A, 11-1435-PWD-CN and 11-1734-W-PWD-PC-PW for disposition and decision; granted the Preston County Public Service District No. 4's request that its certificate proceeding be tolled; and extended the decision due date in the consolidated matters to May 6, 2012.

At the time that the January 25, 2012 Procedural Order was entered, Staff had made its rate recommendation in Case No. 11-0995-PWD-42A; however, with respect to the District's certificate case, no final substantive review or recommendation had been made due to the District's failure to provide adequate and valuable engineering information. As related in the Final Joint Staff Memorandum filed on December 22, 2011, Commission Staff stated that it could not complete its review of the certificate application because the District did not have a construction permit issued by the West Virginia Bureau of Public Health. Staff, therefore, recommended that the District obtain a tolling of its certificate application or, in the alternative,

that the certificate case be dismissed. With respect to the District's joint petition with the Town of Bruceton Mills, Case No. 11-1734-W-PWD-PC-PW, for the approval of an agreement to convey the Town's water production facilities and related real property interests to the District, a final substantive Staff recommendation had not been filed since, under the Commission's internal processing guidelines, that recommendation was due to be filed on or before March 1, 2012, approximately 90 days after the joint petition was filed.

On February 15, 2012, in response to the Final Joint Staff Memorandum filed in the District's certificate case, the District filed a copy of Permit No. 18,960 issued by the West Virginia Office of Environmental Health Services on January 27, 2012, and commitment letters from the West Virginia Infrastructure and Jobs Development Council that completed the information requested by Staff in its Initial Joint Staff Memorandum related to the project's financing.

On March 1, 2012, the District filed a response in the consolidated cases stating its position regarding the rate case recommendation. The District accepted Staff's revenue requirements in the rate case and Staff's allocation of the District's cost of service over the various classes of customers served. Notwithstanding the above, the District disagreed with Staff's recommended rates in that the District opined that the Staff-recommended rates do not come sufficiently close to matching the per-class revenue with the per-class cost of services. Accordingly, the District presented an alternative rate structure and rate analysis for the Commission's consideration.

Also, on March 1, 2012, Staff Counsel advised the Administrative Law Judge by email transmission that, although Staff's final substantive recommendation in Case No. 11-1734-W-PWD-PC-PW is due March 1, 2012, the recommendation would not be timely filed but would be filed during the week of March 5, 2012.

On March 23, 2012, a Procedural Order was issued ordering, among other things, that Commission Staff file its substantive or further recommendation in the consolidated cases, including a response to the proposal of the District for an alternate rate structure, by March 30, 2012.

On March 30, 2012, filings were made by Commission Staff in the consolidated cases consistent with the March 23, 2012 Procedural Order.

On April 3, 2012, a Procedural Order was issued adopting a procedural schedule for the orderly disposition of the cases, including a hearing date of April 10, 2012.

On April 6, 2012, the District filed a response to Staff's March 30, 2012 filings in the consolidated cases, advising that it agreed with Staff's recommendations, in toto, and requested that the April 10, 2012 hearing be cancelled.

On April 9, 2012, the procedural schedule adopted on April 3, 2012, was cancelled, including the April 10, 2012 hearing.

## DISCUSSION

### I. Case No. 11-0995-PWD-42A

According to the rate filing, the District proposed a 23% increase in revenue, or an increase of $144,342, annually, above the revenue generated by current rates. The Staff-recommended rates filed on January 17, 2012, will generate an increase in annual revenue of $31,326, or a 4.58% increase in revenue, above the District's existing rates. This level of revenue is sufficient to cover the District's operating cash requirements of $535,968 and debt service requirements of $163,639 and will provide a cash surplus of $29,385 for the District's 5-year average of net plant additions of $29,495.

Based on the documents filed on September 9, 2011, the District published notice of the proposed rate increase as a Class II legal advertisement in The Preston County Journal, a qualified weekly newspaper, published and of general circulation in Preston County on August 3 and 8, 2011; the District mailed notice of the proposed rate increase to the Town of Bruceton Mills, its resale customer, by United States Certified Mail, return receipt requested, on July 29, 2011, which was received on July 30, 2011; the District mailed individual notice of the proposed rate increase to its 975 customers by placing a statement on the District's billing cards on July 30, 2012, that it is seeking a rate increase; and the District requested that a press release about the increase be published by letter dated July 27, 2011, to The Preston County Journal. The Administrative Law Judge finds that the District has substantially complied with the Commission's notice requirements.

No protest was filed in response to publication of the pending rate case or to the individual notice provided. Furthermore, since the District rescinded its objection to the Staff-recommended rates, the Administrative Law Judge will approve the rates, without hearing. The undersigned finds the Staff-recommended rates to be sufficient, but not more than sufficient, to cover the District's pre-project operations. Those rates, attached hereto as Appendix A, will be effective for all service rendered on and after the date that this decision becomes a final order of the Commission.

### II. Case No. 11-1435-PWD-CN

If the proposed project is constructed, the District will provide water service to approximately 418 new customers residing in the Lenox/Cuzzart area and 80 customers residing in the Clifton Mills area of Preston County, West Virginia. The project will also upgrade the District's existing Glade Run water treatment facility and well fields. The plans and specifications for the project have been approved by the West Virginia Bureau of Public Health's Office of Environmental Health Services. That agency issued Permit Nos. 18,948 and 18,960 for the project's construction. The Engineering Division's review of the project's plans and specifications did not reveal any conflict with the Commission's rules and regulations applicable to engineering requirements for water systems. The need for the project is well-documented in the District's Final Engineering Design Manuals dated September 2011, which

explain that the residents living in the project areas currently obtain water for drinking, bathing and food preparation from various sources with questionable water quality. Additionally, the areas to be served by the project are impacted by over 60 pre-law mine sites. In the Engineering Division's opinion, the project will bring safe, reliable water and fire protection to the residents in these areas.

As a result of the project, Engineering Staff has determined that known and measurable operation and maintenance expenses will increase by approximately $145,020, rejecting the District's estimate of $241,766. As shown in Attachment 1 of the Further Final Joint Staff Memorandum, Staff rejected all non-incremental costs which are not permissible in certificate cases. For the most part, the rejected non-incremental costs are associated with the maintenance of mains and meters, with the residual amount being miscellaneous expenses and administrative and general expenses.

The total project costs will be covered by several grants and loans totaling $17,626,809. During the processing of the certificate case, some of the funding sources and amounts changed from the initial filing. However, the amount of repayable loan did not increase. Now, the project's construction will be financed by grants from the West Virginia Department of Environmental Protection's Abandoned Mines Land Grant Program in the amount of $12,782,455 and the West Virginia Infrastructure Jobs and Development Council in the amount of $45,000. Loans for the project will be provided by the West Virginia Infrastructure Jobs and Development Council in the amount of $290,500 with terms of 2% interest for 30 years; a loan from the West Virginia Bureau of Public Health's Drinking Water Treatment Revolving Fund in the amount of $3,903,854 with terms of .5% for 30 years with an administrative fee of .5% payable for the period of the loan; and a Principal Forgiveness loan from the West Virginia Bureau of Public Health in the amount of $605,000. All funding commitment letters are contained in the case file.

To support its project, the District proposed a 32% across-the-board increase, effective upon substantial completion of the project. Staff recommends that the rates only increase across-the-board by 26.17% over the Staff-recommended rates in the District's rate case, Case No. 11-0995-PWD-42A, being decided contemporaneously herewith. As illustrated in Staff Exhibit No. 1, attached to the Further Final Joint Staff Memorandum, using the rates recommended in Case No. 11-0995-PWD-42A as the starting point, the Staff-recommended rates in the certificate case will generate $29,054 in cash surplus for capital additions with debt service coverage of 116%. The District's bond documents require 115% debt service coverage. Additionally, the funding commitment letters for the project are all contained in the case file.

The Notice of Filing was published by the District on October 15, 2011, in The Preston County News, a qualified weekly newspaper, published and of general circulation in Preston County, as a Class I legal advertisement. The District's resale customer, the Town of Bruceton Mills, was notified of the project and corresponding proposed rate increase by United States Certified Mail, return receipt requested, on October 13, 2012. The District's other customers received individual notice of the rate increase by post card mailed on October 31, 2011, by United States First Class Mail, postage prepaid. The Administrative Law Judge finds that the

District has substantially complied with the notice requirements of the Commission's Order entered on October 7, 2011.

As of today's date, no protest has been filed in response to the publication of the Notice of Filing. Therefore, the project will be approved as recommended by Staff, without hearing. The project rates approved herein and attached hereto as Appendix B will be effective upon substantial completion of the project.

III. Case No. 11-1734-W-PWD-PC-PW

Case No. 11-1734-W-PWD-PC-PW was filed by the District and the Town of Bruceton Mills in order for the District to secure the Town's water production facilities and related real property interests. The joint petition seeks a waiver from supplying certain financial information that is required by Procedural Rule 10.6. The following portions of the particular rule would be covered by the waiver:

10.6.e. accounting history of the franchises, licenses, equipment etc., to be sold, assigned, etc., including the account numbers used, the original cost, and the date of purchase by the petitioner,

10.6.f. the proposed journal entries associated with the sale of the franchises, licenses, equipment etc., to be sold, assigned, etc., including account numbers and amounts,

10.6.j. any proposed assignment or allocation of the book value of the franchises, licenses, equipment etc., to be sold, assigned, etc., and

10.6.k. description of method used to determine the open market value of the franchises, licenses, equipment etc., to be sold, assigned, etc.

The Administrative Law Judge finds it reasonable to grant the waiver from providing the aforementioned information. As stated in the joint petition, the Town of Bruceton Mills does not earn a return on equity or recover depreciation rates.

Although the joint petition is filed pursuant to West Virginia Code §24-2-12, the petition states that, since the Town no longer relies upon the water production facilities which it owns to provide potable water service to its customers, the Commission's approval is not required under Procedural Rule 10.6. The Town purchases its supply from the District. The petition goes on to state that the Commission's approval is only required for the proposed sale of the real property. The Administrative Law Judge strongly disagrees with the petition on this matter as it relates to the water production facilities. The Commission is the entity that makes the determination about the production facilities as to their use and usefulness, if the public utility seeks to dispose of its public utility property. Just because the Town is a bulk customer of the District, that does not negate the Town's obligation to seek and obtain Commission approval prior to selling its water production facilities. Furthermore, the case cited in the petition, Case No. 04-0231-W-PC (2004), did not dispose of the question as to the use and usefulness of the

water production facilities. Rather, that case approved a water purchase agreement. Accordingly, the Commission is required to undertake the appropriate analysis required by West Virginia Code §24-2-12.

The District seeks to purchase the Town's water production facilities and related real property interests at a cost of $50,000, to be paid with project funds. The deal must be concluded by August 31, 2012. The petition also states that the cost to the District of acquiring the Town's existing water production facilities is less than what it would cost the District to develop new water production facilities with a comparable level of production. However, no amount is quantified. Commission Staff recommends approval of the acquisition of the Town's water production facilities and related real property interests at the stated price and has included the cost of the facilities in its analysis in the District's certificate case. Staff states that the facilities are no longer used by the Town.

The Administrative Law Judge finds that the acquisition of the Town's water production facilities and related real property interests for the purchase price of $50,000 is reasonable and will be approved, without approving the specific terms and conditions of the agreement. The Administrative Law Judge also finds that neither party has an undue advantage over the other and that the acquisition does not adversely affect the public in this State. The property in question is no longer necessary or useful, nor will become necessary or useful in the future, in the performance of the Town's public utility duties.

## FINDINGS OF FACT

1. On July 11, 2011, Preston County Public Service District No. 4, a public utility, Bruceton Mills, Preston County, tendered for filing an application for increased rates and charges of $144,342, annually, in additional revenue for furnishing water service to approximately 947 residential customers, the Federal Bureau of Prisons, and the Bruceton Water Department, its resale customer. According to the filing, rates to each customer class will increase by 23%, if the rate increase is granted. Additionally, the District requested an increase to its leak adjustment and requested that it be granted approval to impose a service charge on EFT, Credit Card or Drop Box payments. (See, July 11, 2011 rate filing).

2. The District published notice of the proposed rate increase as a Class II legal advertisement in The Preston County Journal, a qualified weekly newspaper, published and of general circulation in Preston County on August 3 and 8, 2011; the District mailed notice of the proposed rate increase to the Town of Bruceton Mills, its resale customer, by United States Certified Mail, return receipt requested on July 29, 2011, which was received on July 30, 2011; the District mailed individual notice of the proposed rate increase to its 975 customers by placing a statement on the District's billing cards on July 30, 2012, that it is seeking a rate increase; and the District requested that a press release about the increase be published by letter dated July 27, 2011, to The Preston County Journal. (See, filing made on September 9, 2011).

3. At going-level, the District is operating at a cash flow deficit of $2,253 with debt service coverage of 102.94%. The District's bond documents require debt service coverage of at

least 115% since some of the District's reserve accounts aren't fully funded. (See, Final Joint Staff Memorandum filed on January 17, 2012, and attached Staff reports).

4. Based on its review and analysis of the District's water operations, Commission Staff recommended an increase of 4.58% or an annual increase in revenues of $31,326, which will result in a cash surplus of $29,385 with debt service coverage of 123.12%. (See, Final Joint Staff Memorandum filed on January 17, 2012, and attached Staff reports).

5. No letters of protest were filed in response to the publication of the notice of the proposed increase. On April 6, 2012, the District filed a letter stating that it is in agreement with the Staff-recommended rates. (See, case file generally; April 6, 2012 filing of the District).

6. The Preston County Public Service District No. 4 filed a verified application with supporting documentation, on September 30, 2011, for a certificate of public convenience and necessity pursuant to West Virginia Code §24-2-11 to construct and install waterline extensions in the Lenox/Cuzzart and Clifton Mills areas of Preston County, in order to collectively serve approximately 498 new customers. According to the application, the District seeks to also upgrade the existing Glade Run water treatment facility and well fields. The total estimated cost of the project is $17,626,809 to be funded by various grants and loans to be provided as follows: grants from the West Virginia Department of Environmental Protection's Abandoned Mines Land Program totaling $12,461,455; a grant from the West Virginia Infrastructure and Jobs Development Council in the amount of $650,000; a loan from the West Virginia Infrastructure Jobs and Development Council in the amount of $290,500 at 2% interest for 30 years; and a loan from the West Virginia Bureau of Public Health's Drinking Water Treatment Revolving Fund in the amount of $3,903,854 at 1% interest for 30 years. The District requested a post-project rate increase of 32%, over and above the 23% increase it requested in its pending rate case. (See, certificate filing made on September 30, 2011).

7. After investigation and review, Commission Staff recommended that the project be approved. There are no inconsistencies with the proposed project and the Commission's rules and all requisite permits for the project have all been issued. The project has been issued Permit Nos. 18,948 and 18,960 by the West Virginia Bureau of Public Health's Office of Environmental Services, indicating that agency's approval of the project. (See, Further Final Joint Staff Memorandum filed on March 30, 2012).

8. The need for the project is well-documented in the District's Final Engineering Design Manuals dated September 2011, which explain that the residents living in the project areas currently obtain water for drinking, bathing and food preparation from various sources with questionable water quality. Additionally, the areas to be served by the project are impacted by over 60 pre-law mine sites. (See, Final Joint Staff Memorandum filed on March 30, 2012).

9. All funding commitment letters are contained in the case file. (See, case file generally).

10. An affidavit of publication was filed by the District evidencing that the Notice of Filing was published by the District on October 15, 2011, in The Preston County News, a qualified weekly newspaper, published and of general circulation in Preston County, as a Class I legal advertisement. The District's resale customer, the Town of Bruceton Mills, was notified of the project and corresponding proposed rate increase by United States Certified Mail, return receipt requested, on October 13, 2012. The District's other customers received individual notice of the rate increase by post card mailed on October 31, 2011, by United States First Class Mail, postage prepaid. As of today's date, no protest has been filed in response to the filing. (See, District's September 9, 2011 filing; case file generally).

11. On December 2, 2011, the Preston County Public Service District No. 4 and the Town of Bruceton Mills filed a joint petition pursuant to West Virginia Code §24-2-12 and Procedural Rule 10.6., seeking the Commission's consent and approval for a Transfer Agreement between the District and Town. The Petitioners also requested a waiver from filing certain financial information required by Procedural Rule 10.6. The District wants to purchase the Town's water production facilities and related real property interests for $50,000 in order to increase its water production capacity. (See, joint petition filed on December 2, 2012).

12. On March 30, 2012, Commission Staff recommended approval of the Transfer Agreement, which is the subject of the December 2, 2012 joint petition. Staff offered no opinion as to whether the waiver requested should be granted or whether the transaction meets all of the applicable requirements of West Virginia Code §24-2-12. (See, Final Joint Staff Memorandum filed on March 30, 2012).

13. The Town now purchases all of its water from the District. (See, Final Joint Staff Memorandum filed on March 30, 2012).

14. The facilities are no longer used by the Town to provide water service and are not likely to be so used in the future. (See, December 2, 2011 joint petition; Final Joint Staff Memorandum filed on March 30, 2012).

## CONCLUSIONS OF LAW

1. The Staff-recommended rates and charges in Case No. 11-0995-PWD-42A are sufficient, but not more than sufficient, to cover the District's operation and maintenance expenses, debt service requirements and any needed improvements and plant additions.

2. It is reasonable to approve the Staff-recommended rates and charges in Case No. 11-0995-PWD-42A, without hearing, since no public protest to the proposed rate increase was filed and since the District agrees with the Staff-recommended rates.

3. The public convenience and necessity require the proposed project in Case No. 11-1435-PWD-CN.

4. The project is financially feasible and fully funded.

5. It is reasonable to issue a certificate of public convenience and necessity for the Preston Public Service District No. 4's project so that the District may install water lines and increase production in order to provide water service to approximately 498 customers who have currently questionable water sources that in some instances have been impacted by mining activities.

6. It is reasonable to grant approval of the Transfer Agreement, without approving its specific terms and conditions thereof, since the Town's water production facilities are no longer necessary or useful, nor will become necessary or useful in the future, in the performance of the Town's public utility duties; the $50,000 price is reasonable; neither party had an undue advantage over the other; and that the public convenience requires the acquisition so that the District may increase its water production capability.

7. The Transfer Agreement complies with the requirements of West Virginia Code §24-2-12 in that the terms and conditions of the agreement are reasonable; neither party thereto was given an undue advantage over the other; and the agreement does not adversely impact the public in this State.

## ORDER

IT IS, THEREFORE, ORDERED that the verified rate application filed by Preston County Public Service District No. 4, on July 11, 2011, be, and hereby is, granted and the Staff-recommended rates and charges, attached hereto as Appendix A, be, and hereby are, approved for all water service rendered on and after the day that this decision becomes a final order of the Commission.

IT IS FURTHER ORDERED that Preston County Public Service District No. 4 file an original and at least five (5) copies of a revised tariff reflecting the rates and charges approved herein, within thirty (30) days of the date that this decision becomes a final order of the Commission.

IT IS FURTHER ORDERED that the verified certificate application filed by Preston County Public Service District No. 4 with the Public Service Commission on September 30, 2011, as amended, for a certificate of public convenience and necessity pursuant to West Virginia Code §24-2-11 to construct and install waterline extensions in the Lenox/Cuzzart and Clifton Mills areas of Preston County, in order to collectively serve approximately 498 new customers at a total estimated cost of $17,626,809, be, and hereby is, granted.

IT IS FURTHER ORDERED that the financing for the project, consisting of grants from the West Virginia Department of Environmental Protection's Abandoned Mines Land Grant Program in the amount of $12,782,455 and the West Virginia Infrastructure Jobs and Development Council in the amount of $45,000; and loans from the West Virginia Infrastructure Jobs and Development Council in the amount of $290,500 with terms of 2% interest for 30 years;

a loan from the West Virginia Bureau of Public Health's Drinking Water Treatment Revolving Fund in the amount of $3,903,854 with terms of .5% for 30 years with an administrative fee of .5% payable for the period of the loan; and a Principal Forgiveness loan from the West Virginia Bureau of Public Health in the amount of $605,000, be, and hereby is, approved.

IT IS FURTHER ORDERED that the rates and charges attached hereto as Appendix B are approved for use by Preston County Public Service District No. 4 upon substantial completion of the project approved herein.

IT IS FURTHER ORDERED that the Preston County Public Service District No. 4 file an original and at least five (5) copies of a revised tariff reflecting the rates and charges approved in Appendix B, within thirty (30) days of the date of substantial completion of the project certificated herein.

IT IS FURTHER ORDERED that Preston County Public Service District No. 4 obtain additional Commission approval, prior to construction, if the plans or scope of the project changes.

IT IS FURTHER ORDERED that, if a change in the project cost does not change project rates, no additional Commission approval is necessary; however, the Preston County Public Service District No. 4 will be required to file an affidavit executed by its certified public accountant, verifying that the District's rates and charges are not affected.

IT IS FURTHER ORDERED that Preston County Public Service District No. 4 file with the Commission a copy of the engineer's certified bid tabulations for all contracts awarded for the project and submit a copy of the Certificate of Substantial Completion issued for each construction contract associated with the project, as soon as they become available.

IT IS FURTHER ORDERED that, if the project certificated herein requires the use of any West Virginia Department of Highways' rights-of-way, Preston County Public Service District No. 4 follow all applicable rules and regulations of the Department of Highways regarding those rights-of-way.

IT IS FURTHER ORDERED that the waiver requested by Preston County Public Service District No. 4 and the Town of Bruceton Mills in Case No. 11-1734-W-PWD-PC-PW, be, and hereby is, granted.

IT IS FURTHER ORDERED that the Transfer Agreement filed in Case No. 11-1734-W-PWD-PC-PW, be, and hereby is, approved, without approving the specific terms and conditions thereof.

IT IS FURTHER ORDERED that Preston County Public Service District No. 4 and the Town of Bruceton Mills file an executed copy of the Transfer Agreement approved in Case No. 11-1734-W-PWD-PC-PW as a closed entry within thirty (30) days after this decision becomes a final order of the Commission.

IT IS FURTHER ORDERED that these cases be, and they hereby are, removed from the Commission's docket of open cases.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission.

Meyish Pearl Blair
Administrative Law Judge

MPB:s:cdk
110995ad.doc

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
CASE NO. 11-0995-PWD-42A

## APPROVED RATES

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial water service.

RATES (customers with metered water supply)

| | | |
|---|---|---|
| First | 3,000 gallons used per month | $6.00 per 1,000 gallons |
| All Over | 3,000 gallons used per month | $6.00 per 1,000 gallons |

MINIMUM CHARGE

No bill will be rendered for less than the following, based upon the meter size:

| | |
|---|---|
| 5/8-inch meter | $ 18.00 per month |
| 3/4-inch meter | $ 27.00 per month |
| 1 -inch meter | $ 45.00 per month |
| 1-1/2 -inch meter | $ 90.00 per month |
| 2 -inch meter | $ 144.00 per month |
| 3 -inch meter | $ 288.00 per month |
| 4 -inch meter | $ 450.00 per month |
| 6 -inch meter | $ 900.00 per month |
| 8 -inch meter | $1,440.00 per month |

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent 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, non-payment of bills, or fraudulent use of water.

TAP FEE

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

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 pre-construction 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 $300.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

FEDERAL BUREAU OF PRISONS RATE

$3.48 per 1,000 gallons used per month but no less than $28,559.00 per month.

SALE FOR RESALE

All water for resale to Bruceton Water Department will be billed in accordance with the approved rate of $3.10 per 1,000 gallons used per month.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$1.06 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SECURITY DEPOSIT

A deposit of $50.00 or 2/12ths of the average annual usage of the applicant's specific customer class, whichever is greater.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
CASE NO. 11-1435-PWD-CN

## APPROVED RATES
**Effective Upon Substantial Completion of Project**

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY

Available for general domestic, commercial and industrial water service.

RATES (customers with metered water supply)

| | | |
|---|---|---|
| First | 3,000 gallons used per month | $7.57 per 1,000 gallons |
| All Over | 3,000 gallons used per month | $7.57 per 1,000 gallons |

MINIMUM CHARGE

No bill will be rendered for less than the following, based upon the meter size:

| | |
|---|---|
| 5/8-inch meter | $ 22.71 per month |
| 3/4-inch meter | $ 34.07 per month |
| 1 -inch meter | $ 56.78 per month |
| 1-1/2 -inch meter | $ 113.55 per month |
| 2 -inch meter | $ 181.68 per month |
| 3 -inch meter | $ 363.36 per month |
| 4 -inch meter | $ 567.75 per month |
| 6 -inch meter | $1,135.50 per month |
| 8 -inch meter | $1,816.80 per month |

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent 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, non-payment of bills, or fraudulent use of water.

TAP FEE

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

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 pre-construction 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 $300.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

FEDERAL BUREAU OF PRISONS RATE

$4.39 per 1,000 gallons used per month but no less than $36,041.00 per month.

SALE FOR RESALE

All water for resale to Bruceton Water Department will be billed in accordance with the approved rate of $3.91 per 1,000 gallons used per month.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$1.12 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above the customer's historical average usage.

SECURITY DEPOSIT

A deposit of $50.00 or 2/12ths of the average annual usage of the applicant's specific customer class, whichever is greater.

Affidavit of Filing

# Certificate of Publication

I, **Carol Peters,** Advertising Manager of The Preston County News, a weekly newspaper of general circulation, published at Kingwood, Preston County, West Virginia, do hereby certify that the annexed public notice

PSD #4

has been published for One successive weeks in said newspaper, beginning with its issue of 10/15/11

and expiring with the issue of 10/15/11

And, I do further certify that on 10/15/11

Carol Peters
ADVERTISING MANAGER

Sworn to and subscribed before me this the 17th day of October, 2011

Dennis E Peters
NOTARY PUBLIC

My commission expires 6/29/2017

# LEGAL NOTICE

**PUBLIC SERVICE COMMISSION**
**OF WEST VIRGINIA**
**CHARLESTON**

Entered by the Public Service Commission of West Virginia, in the City of Charleston on the 7th day of October, 2011.

CASE NO. 11-1435-PWD-CN

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Application for a certificate of convenience and necessity to construct the Lenox/Cuzzart and Clifton Mills Project, and for approval of funding and rates related thereto.

NOTICE OF FILING

On September 30, 2011, the Preston County Public Service District No. 4 filed an application, duly verified for a certificate of convenience and necessity to construct certain additions and improvements to its water system in Preston County. The additions and improvements consist of two projects with separate sources of funding, known as the Lenox Cuzzart project and the Clifton Mills project. The Lenox Cuzzart project addresses problem areas in the communities of Beech Run (southwest), Lenox (southeast), Centenary (northwest) and Cuzzart (northeast). The project area is in the northwestern portion of Preston County and includes the following WVDOH state road routes: SR 26, CR 3 (Brandonville Pike), CR 5 (Cuzzart Road), CR 11 (Centenary-Mountain Drive), CR 13 (Prison Road), CR 16, CR 17 (Woolen Mill), CR 18, CR 20, CR 22 (Coal Lick Road), CR 28 (Orr-Cuzzart Road), CR 3/4, CR 3/5, CR 3/6 (Lenox-Woolen Mill), CR 3/7, CR 3/16, CR 3/23, CR 5/10, CR 5/16, CR 11/1 (Auman Road), CR 11/2, CR 11/3, CR 13/1, CR 15/2, CR 16/1, CR 17/1, CR 20/1, CR 20/2, CR 26/19, CR 26/21, CR 26/22, CR 26/23, CR 26/41, and CR 26/42.

The Clifton Mills project will add a new 350 gallons per minute (GPM) filter, adding four wells to the District's system, installation of a new clearwell, a new effluent pump for the proposed filter, and new controls for the filters. The Clifton Mills project includes extending water service on the following WVDOH state road routes: SR 26, CR 4, CR 4/5, CR 5, CR 6, CR 26/14, CR 8, CR 8/4, CR 8/3, CR 8/1, and CR 10.

The application is on file with and available for public inspection at the Public Service Commission, 201 Brooks Street, in Charleston, West Virginia.

The Preston County Public Service District No. 4 estimates that construction will cost approximately $17,626,809.00. It is proposed that the construction will be financed by grants from the West Virginia Department of Environmental Protection, Abandoned Mine Land program in the Amount of 12,782,455, a grant from the West Virginia Infrastructure and Jobs Development Council ("IJDC") in the amount of $650,000.00, a $290,500.00 IJDC loan payable over 30 years at 2% interest, and a $3,903,854.00 loan from the West Virginia Bureau for Public Health Drinking Water Treatment Revolving Fund, payable over 30 years at 1% interest, and a $25,000.00 truck loan payable over four years at 6% interest per annum. The utility will not need interim financing.

The District anticipates charging the following increased rates for all its customers after construction of the project:

METERED RATES

First 3,000 gallons used per month $10.92 per 1,000 gallons

All over 3,000 gallons used per month $10.92 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, based upon the meter:

| | |
|---|---|
| 5/8 inch meter | $32.76 per month |
| 3/4 inch meter | $49.15 per month |
| 1 inch meter | $81.90 per month |
| 1 1/2 inch meter | $163.80 per month |
| 2 inch meter | $262.10 per month |
| 3 inch meter | $491.40 per month |
| 4 inch meter | $819.00 per month |
| 6 inch meter | $1,638.00 per month |
| 8 inch meter | $2,620.80 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 violation of rules, non-payment of bills or fraudulent use of water.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $100.00 will charged to customers applying for service before construction is completed adjacent to the customer's premises in connection with a certificate proceeding before the Commission. This pre-construction tap fee will be invalid after the completion of construction adjacent to an applicant's premises that is associated with a certificate proceeding.

A tap fee of $300.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

FEDERAL BUREAU OF PRISONS RATE

$4.56 per 1,000 gallons used per month.

SALES FOR RESALE

All water for resale to Bruceton Water Department will be billed in accordance with the approved rate of $4.56 per 1,000 gallons used per month.

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT

$1.12 per 1,000 gallons is 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 consumption above customer's historical average usage.

SECURITY DEPOSIT

A deposit of $50.00 or 2/12ths of the average annual usage of the applicant's specific customer class, whichever is greater.

EFT, ACH, CREDIT CARD AND DROP BOX PAYMENTS

A service charge will be imposed on EFT, ACH, Credit Card or Drop Box payments. The amount shall be equal to the actual charges to the utility from the financial institution for processing payment.

These rates, to become effective upon substantial completion of the project unless otherwise ordered, represent the following increases for all District customers over the rate increase proposed and pending before the Public Service Commission in Case No. 11-0995-PWD-42A. In the pending 42A rate proceeding, the District is requesting a 23 percent increase for all customers. The propose rates to support this certificate project and the increases provided below are in addition to the pending 42A rate request of the District:

| | ($) INCREASE | (%) INCREASE |
|---|---|---|
| Residential (4,000 gallons monthly) | $10.60 | 32.0% |
| Commercial (15,000 gallons monthly) | $39.75 | 32.0% |
| Industrial (200,000 gallons monthly) | $530.00 | 32.0% |
| Resale (400,000 gallons monthly) | $444.00 | 32.0% |

The District has one resale customer-Town of Bruceton Mills.

The proposed increased rates and charges post project will produce approximately $450,509.00 annually in additional revenue, an increase of 53.8%. The total increase granted will not exceed this estimate unless further notice is provided.

The increases shown are based on averages of all customers in the indicated class. Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increases or decreases) by the Public Service Commission in its review of this filing.

Anyone desiring to protest or intervene should file a written protest or notice of intervention within thirty (30) days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should briefly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protest and interventions should be addressed to Sandra Squire, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323.

In the absence of substantial protest received within thirty (30) days of this publication, the Commission may waive formal hearing and grant the application based on the Commission's review of the evidence with the application.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

10/15

5198.01

APR 18 2011

**WEST VIRGINIA**

*Infrastructure & Jobs Development Council*

Gov. Earl Ray Tomblin
Chairman

Kenneth Lowe, Jr.
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

Louis R. Spatafore
Public Member

Joseph Freeland
Public Member

D. K. "Bud" Carr
Public Member

James W. Ellars, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

April 14, 2011

Robert A. Bailey, Chairman
Preston County Public Service District #4
P.O. Box 370
Bruceton Mills, WV 26525

Re: Preston County Public Service District #4
Water Project 2011W-1241(Lenox/Cuzzart)

Dear Mr. Bailey:

The West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) has reviewed the Preston County Public Service District #4's (District) preliminary application to extend water service to approximately 418 new customers in the communities of Beech Run, Lenox, Centenary and Cuzzart (Project).

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

Upon consideration of the preliminary application, the Infrastructure Council recommends that the District utilize a $12,461,221 Abandoned Mine Lands grant to fund this Project. The Infrastructure Council also determined that the District may be eligible for a $290,500 Infrastructure Fund loan (2%, 30 yrs) pending final determination of the Project's eligibility and readiness to proceed. The total Project cost is $12,751,721. **This letter is not a commitment of Infrastructure Funds.** The Project will be placed on the Infrastructure Council's pending list of projects.

If you have any questions regarding this matter, please contact James W. Ellars at 304-414-6501 (X106).

Sincerely,

Kenneth Lowe, Jr.

Enclosure

cc: Bob Decrease, P.E., BPH (w/o enclosure) *(via e-mail)*
Jonathan Holbert, DEP AML (w/o enclosure) *(via e-mail)*
Richard Gaines, P.E., Greenhorne & O'Mara, Inc
Roberta Baylor, Preston County Economic Development Council

WEST VIRGINIA
Infrastructure & Jobs Development Council

Gov. Earl Ray Tomblin
Chairman

Kenneth Lowe, Jr.
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

Louis R. Spatafore
Public Member

Joseph Freeland
Public Member

D. K. "Bud" Carr
Public Member

James W. Ellars, P.E.
Executive Director

Barbara J. Pauley
Administrative Secretary

February 6, 2012

Robert A. Bailey, Chairman
Preston County PSD #4
P.O. Box 370
Bruceton Mills, WV 26525

Re: Preston County PSD #4
Water Project 2011W-1241 (Lenox/Cuzzart)
Binding Commitment
**(Action Required by February 29, 2012)**

Dear Mr. Bailey:

At its February 1, 2012 meeting, the West Virginia Infrastructure and Jobs Development Council (Council) voted to approve that the Preston County Public Service District #4 (District) receive a binding commitment for an Infrastructure Fund loan (Loan) of approximately $290,500 for the above referenced water project (Project). The final Loan amount will be established after the District has received acceptable bids for the Project. The Loan will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference.

If the District has any questions regarding this commitment, please contact Jim Ellars at 304-414-6501 (X106).

Sincerely,

Kenneth Lowe, Jr.

Attachment

cc: Bob Decrease, P.E., BPH *(via e-mail)*
Richard Gaines, P.E., Greenhorne & O'Mara, Inc. *(via e-mail)*
Roberta Baylor, Preston Co. Economic Development Council *(via e-mail)*
Samme Gee, Esq., Jackson Kelly *(via e-mail)*

NOTE: This letter is sent in duplicate. Please acknowledge receipt and immediately return one copy to the Infrastructure Council.

Preston County Public Service District #4

By: Robert A Bailey

Its: Chairman

Date: 2/14/2012

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

On the 23rd day of October, 2013, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Chairman of the Preston County Public Service District No. 4 (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 23rd day of October, 2013, the Authority received the Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of $290,500, numbered AR-1 (the "Series 2013 A Bonds"), issued as a single, fully registered Bond.

2. At the time of such receipt, the Series 2013 A Bonds had been executed by the Chairman and the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2013 A Bonds, of $192,693.86, being a portion of the principal amount of the Series 2013 A Bonds. The balance of the principal amount of the Series 2013 A Bonds will be advanced by the Authority and the Council to the Issuer as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Left Blank]

Dated as of the day and year first written above.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: Sheila A. Miller
Its: Authorized Representative

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

By: Robert S Bayley
Its: Chairman

723800.00010

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith on this 23rd day of October, 2013.

(1) Bond No. AR-1, constituting the entire original issue of the Preston County Public Service District No. 4 Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), in the principal amount of $290,500 (the "Series 2013 A Bonds"), executed by the Chairman and the Secretary of the Preston County Public Service District No. 4 (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution duly adopted by the Issuer on October 16, 2013, and a Supplemental Resolution duly adopted by the Issuer on October 16, 2013 (collectively, the "Bond Legislation");

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

(3) Executed counterparts of a loan agreement for the Series 2013 A Bonds, dated October 23, 2013, 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

(4) Executed opinions of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Series 2013 A Bonds.

You are hereby requested and authorized to deliver the Series 2013 A Bonds to the Authority upon payment to the Issuer of the sum of $192,693.86, representing a portion of the principal amount of the Series 2013 A Bonds. Prior to such delivery of the Series 2013 A Bonds, you will please cause the Series 2013 A Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the forms of Certificate of Authentication and Registration thereon.

Dated as of the day and year first written above.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4

By: Robert A Beasley
Its: Chairman

723800.00010

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2013 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $290,500

KNOW ALL MEN BY THESE PRESENTS: That on this day 23rd of October, 2013, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 , a public service district, public corporation and political subdivision of the State of West Virginia in Preston 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 NINETY THOUSAND FIVE HUNDRED DOLLARS ($290,500), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2015, to and including June 1, 2045 as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference. This Bond shall bear interest at a rate of 2% per annum, payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2015, to and including June 1, 2045 as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated October 23, 2013.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance for the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 October 16, 2013, and a Supplemental Resolution duly adopted by the Issuer on October 16, 2013 (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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE ISSUER'S: (I) WATER REVENUE BONDS, SERIES 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS"); AND (V) WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), DATED NOVEMBER 21, 2012, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,903,853 (THE "SERIES 2012 A BONDS"), (COLLECTIVELY, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2013 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the monies in the Series 2013 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 2013 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 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 (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.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

SPECIMEN

Robert A. Bailey

Chairman

ATTEST:

SPECIMEN

James R. Summers

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2013 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: October 23, 2013.

THE HUNTINGTON NATIONAL BANK,
as Registrar

SPECIMEN

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT | DATE |
|---|---|---|---|
| (1) $192,693.86 | 10/23/2013 | (19) | |
| (2) | | (20) | |
| (3) | | (21) | |
| (4) | | (22) | |
| (5) | | (23) | |
| (6) | | (24) | |
| (7) | | (25) | |
| (8) | | (26) | |
| (9) | | (27) | |
| (10) | | (28) | |
| (11) | | (29) | |
| (12) | | (30) | |
| (13) | | (31) | |
| (14) | | (32) | |
| (15) | | (33) | |
| (16) | | (34) | |
| (17) | | (35) | |
| (18) | | (36) | |

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

Dated Date 10/23/2013

Delivery Date 10/23/2013

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 9/1/2015 | 1,773 | 2.000% | 1,452.50 | 3,225.50 |
| 12/1/2015 | 1,782 | 2.000% | 1,443.64 | 3,225.64 |
| 3/1/2016 | 1,790 | 2.000% | 1,434.73 | 3,224.73 |
| 6/1/2016 | 1,799 | 2.000% | 1,425.78 | 3,224.78 |
| 9/1/2016 | 1,808 | 2.000% | 1,416.78 | 3,224.78 |
| 12/1/2016 | 1,817 | 2.000% | 1,407.74 | 3,224.74 |
| 3/1/2017 | 1,826 | 2.000% | 1,398.66 | 3,224.66 |
| 6/1/2017 | 1,836 | 2.000% | 1,389.53 | 3,225.53 |
| 9/1/2017 | 1,845 | 2.000% | 1,380.35 | 3,225.35 |
| 12/1/2017 | 1,854 | 2.000% | 1,371.12 | 3,225.12 |
| 3/1/2018 | 1,863 | 2.000% | 1,361.85 | 3,224.85 |
| 6/1/2018 | 1,873 | 2.000% | 1,352.54 | 3,225.54 |
| 9/1/2018 | 1,882 | 2.000% | 1,343.17 | 3,225.17 |
| 12/1/2018 | 1,891 | 2.000% | 1,333.76 | 3,224.76 |
| 3/1/2019 | 1,901 | 2.000% | 1,324.31 | 3,225.31 |
| 6/1/2019 | 1,910 | 2.000% | 1,314.80 | 3,224.80 |
| 9/1/2019 | 1,920 | 2.000% | 1,305.25 | 3,225.25 |
| 12/1/2019 | 1,929 | 2.000% | 1,295.65 | 3,224.65 |
| 3/1/2020 | 1,939 | 2.000% | 1,286.01 | 3,225.01 |
| 6/1/2020 | 1,949 | 2.000% | 1,276.31 | 3,225.31 |
| 9/1/2020 | 1,959 | 2.000% | 1,266.57 | 3,225.57 |
| 12/1/2020 | 1,968 | 2.000% | 1,256.77 | 3,224.77 |
| 3/1/2021 | 1,978 | 2.000% | 1,246.93 | 3,224.93 |
| 6/1/2021 | 1,988 | 2.000% | 1,237.04 | 3,225.04 |
| 9/1/2021 | 1,998 | 2.000% | 1,227.10 | 3,225.10 |
| 12/1/2021 | 2,008 | 2.000% | 1,217.11 | 3,225.11 |
| 3/1/2022 | 2,018 | 2.000% | 1,207.07 | 3,225.07 |
| 6/1/2022 | 2,028 | 2.000% | 1,196.98 | 3,224.98 |
| 9/1/2022 | 2,038 | 2.000% | 1,186.84 | 3,224.84 |
| 12/1/2022 | 2,048 | 2.000% | 1,176.65 | 3,224.65 |
| 3/1/2023 | 2,059 | 2.000% | 1,166.41 | 3,225.41 |
| 6/1/2023 | 2,069 | 2.000% | 1,156.12 | 3,225.12 |
| 9/1/2023 | 2,079 | 2.000% | 1,145.77 | 3,224.77 |
| 12/1/2023 | 2,090 | 2.000% | 1,135.38 | 3,225.38 |
| 3/1/2024 | 2,100 | 2.000% | 1,124.93 | 3,224.93 |
| 6/1/2024 | 2,111 | 2.000% | 1,114.43 | 3,225.43 |
| 9/1/2024 | 2,121 | 2.000% | 1,103.87 | 3,224.87 |
| 12/1/2024 | 2,132 | 2.000% | 1,093.27 | 3,225.27 |
| 3/1/2025 | 2,143 | 2.000% | 1,082.61 | 3,225.61 |
| 6/1/2025 | 2,153 | 2.000% | 1,071.89 | 3,224.89 |
| 9/1/2025 | 2,164 | 2.000% | 1,061.13 | 3,225.13 |
| 12/1/2025 | 2,175 | 2.000% | 1,050.31 | 3,225.31 |
| 3/1/2026 | 2,186 | 2.000% | 1,039.43 | 3,225.43 |

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 6/1/2026 | 2,197 | 2.000% | 1,028.50 | 3,225.50 |
| 9/1/2026 | 2,208 | 2.000% | 1,017.52 | 3,225.52 |
| 12/1/2026 | 2,219 | 2.000% | 1,006.48 | 3,225.48 |
| 3/1/2027 | 2,230 | 2.000% | 995.38 | 3,225.38 |
| 6/1/2027 | 2,241 | 2.000% | 984.23 | 3,225.23 |
| 9/1/2027 | 2,252 | 2.000% | 973.03 | 3,225.03 |
| 12/1/2027 | 2,263 | 2.000% | 961.77 | 3,224.77 |
| 3/1/2028 | 2,275 | 2.000% | 950.45 | 3,225.45 |
| 6/1/2028 | 2,286 | 2.000% | 939.08 | 3,225.08 |
| 9/1/2028 | 2,297 | 2.000% | 927.65 | 3,224.65 |
| 12/1/2028 | 2,309 | 2.000% | 916.16 | 3,225.16 |
| 3/1/2029 | 2,321 | 2.000% | 904.62 | 3,225.62 |
| 6/1/2029 | 2,332 | 2.000% | 893.01 | 3,225.01 |
| 9/1/2029 | 2,344 | 2.000% | 881.35 | 3,225.35 |
| 12/1/2029 | 2,356 | 2.000% | 869.63 | 3,225.63 |
| 3/1/2030 | 2,367 | 2.000% | 857.85 | 3,224.85 |
| 6/1/2030 | 2,379 | 2.000% | 846.02 | 3,225.02 |
| 9/1/2030 | 2,391 | 2.000% | 834.12 | 3,225.12 |
| 12/1/2030 | 2,403 | 2.000% | 822.17 | 3,225.17 |
| 3/1/2031 | 2,415 | 2.000% | 810.15 | 3,225.15 |
| 6/1/2031 | 2,427 | 2.000% | 798.08 | 3,225.08 |
| 9/1/2031 | 2,439 | 2.000% | 785.94 | 3,224.94 |
| 12/1/2031 | 2,451 | 2.000% | 773.75 | 3,224.75 |
| 3/1/2032 | 2,464 | 2.000% | 761.49 | 3,225.49 |
| 6/1/2032 | 2,476 | 2.000% | 749.17 | 3,225.17 |
| 9/1/2032 | 2,488 | 2.000% | 736.79 | 3,224.79 |
| 12/1/2032 | 2,501 | 2.000% | 724.35 | 3,225.35 |
| 3/1/2033 | 2,513 | 2.000% | 711.85 | 3,224.85 |
| 6/1/2033 | 2,526 | 2.000% | 699.28 | 3,225.28 |
| 9/1/2033 | 2,538 | 2.000% | 686.65 | 3,224.65 |
| 12/1/2033 | 2,551 | 2.000% | 673.96 | 3,224.96 |
| 3/1/2034 | 2,564 | 2.000% | 661.21 | 3,225.21 |
| 6/1/2034 | 2,577 | 2.000% | 648.39 | 3,225.39 |
| 9/1/2034 | 2,590 | 2.000% | 635.50 | 3,225.50 |
| 12/1/2034 | 2,603 | 2.000% | 622.55 | 3,225.55 |
| 3/1/2035 | 2,616 | 2.000% | 609.54 | 3,225.54 |
| 6/1/2035 | 2,629 | 2.000% | 596.46 | 3,225.46 |
| 9/1/2035 | 2,642 | 2.000% | 583.31 | 3,225.31 |
| 12/1/2035 | 2,655 | 2.000% | 570.10 | 3,225.10 |
| 3/1/2036 | 2,668 | 2.000% | 556.83 | 3,224.83 |
| 6/1/2036 | 2,682 | 2.000% | 543.49 | 3,225.49 |
| 9/1/2036 | 2,695 | 2.000% | 530.08 | 3,225.08 |
| 12/1/2036 | 2,709 | 2.000% | 516.60 | 3,225.60 |
| 3/1/2037 | 2,722 | 2.000% | 503.06 | 3,225.06 |
| 6/1/2037 | 2,736 | 2.000% | 489.45 | 3,225.45 |
| 9/1/2037 | 2,749 | 2.000% | 475.77 | 3,224.77 |
| 12/1/2037 | 2,763 | 2.000% | 462.02 | 3,225.02 |

**Bond Debt Service**

Preston County PSD

IF

$290,500

30 Years

2.0% Interest Rate

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 3/1/2038 | 2,777 | 2.000% | 448.21 | 3,225.21 |
| 6/1/2038 | 2,791 | 2.000% | 434.32 | 3,225.32 |
| 9/1/2038 | 2,805 | 2.000% | 420.37 | 3,225.37 |
| 12/1/2038 | 2,819 | 2.000% | 406.34 | 3,225.34 |
| 3/1/2039 | 2,833 | 2.000% | 392.25 | 3,225.25 |
| 6/1/2039 | 2,847 | 2.000% | 378.08 | 3,225.08 |
| 9/1/2039 | 2,861 | 2.000% | 363.85 | 3,224.85 |
| 12/1/2039 | 2,876 | 2.000% | 349.54 | 3,225.54 |
| 3/1/2040 | 2,890 | 2.000% | 335.16 | 3,225.16 |
| 6/1/2040 | 2,904 | 2.000% | 320.71 | 3,224.71 |
| 9/1/2040 | 2,919 | 2.000% | 306.19 | 3,225.19 |
| 12/1/2040 | 2,934 | 2.000% | 291.60 | 3,225.60 |
| 3/1/2041 | 2,948 | 2.000% | 276.93 | 3,224.93 |
| 6/1/2041 | 2,963 | 2.000% | 262.19 | 3,225.19 |
| 9/1/2041 | 2,978 | 2.000% | 247.37 | 3,225.37 |
| 12/1/2041 | 2,993 | 2.000% | 232.48 | 3,225.48 |
| 3/1/2042 | 3,008 | 2.000% | 217.52 | 3,225.52 |
| 6/1/2042 | 3,023 | 2.000% | 202.48 | 3,225.48 |
| 9/1/2042 | 3,038 | 2.000% | 187.36 | 3,225.36 |
| 12/1/2042 | 3,053 | 2.000% | 172.17 | 3,225.17 |
| 3/1/2043 | 3,068 | 2.000% | 156.91 | 3,224.91 |
| 6/1/2043 | 3,084 | 2.000% | 141.57 | 3,225.57 |
| 9/1/2043 | 3,099 | 2.000% | 126.15 | 3,225.15 |
| 12/1/2043 | 3,114 | 2.000% | 110.65 | 3,224.65 |
| 3/1/2044 | 3,130 | 2.000% | 95.08 | 3,225.08 |
| 6/1/2044 | 3,146 | 2.000% | 79.43 | 3,225.43 |
| 9/1/2044 | 3,161 | 2.000% | 63.70 | 3,224.70 |
| 12/1/2044 | 3,177 | 2.000% | 47.90 | 3,224.90 |
| 3/1/2045 | 3,193 | 2.000% | 32.01 | 3,225.01 |
| 6/1/2045 | 3,209 | 2.000% | 16.05 | 3,225.05 |
| | 290,500 | | 96,518.50 | 387,018.50 |

(Form of)

ASSIGNMENT

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

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

Dated: _____, 20____.

_____

In the presence of:

_____

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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

Writer's Contact Information

October 23, 2013

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

Preston County Public Service District No. 4
Bruceton Mills, 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 the Preston County Public Service District No. 4 (the "Issuer"), a public service district and as a public corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its $290,500 Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated the date hereof (the "Series 2013 A Bonds" or the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated October 23, 2013, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal and interest to the Authority, bearing interest at the rate of two percent (2%) per annum, with principal and interest installments payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2015 to and including June 1, 2045, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2013 A Bonds.

The Series 2013 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on October 16, 2013, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 16, 2013 (collectively, the "Bond Legislation"), pursuant to and under which Act

and Bond Legislation the Series 2013 A Bonds are authorized and issued, and the Loan Agreement has been entered into. The Series 2013 A Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia, with full power and authority to operate and maintain the System, to adopt the Bond Legislation and to issue and sell the Series 2013 A 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 or the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.

3. The Bond Legislation and all other necessary ordinances and resolutions have been duly and effectively enacted and adopted by the Issuer in connection with the issuance and sale of the Series 2013 A Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Series 2013 A 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 and secured by a first lien on and pledge of the Net Revenues of the System on a parity with the Issuer's: (i) Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds"); (ii) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds"); (iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds"); (iv) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 (the "Series 2010 A Bonds"); and (v) Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853 (the "Series 2012 A Bonds") (collectively, the "Prior Bonds"), all in accordance with the terms of the Series 2013 A Bonds and the Bond Legislation.

5. The Series 2013 A 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 Series 2013 A 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 Series 2013 A Bonds and the enforceability of the Series 2013 A Bonds, the Loan Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion 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

723800.00010

101 South Queen Street
Martinsburg, West Virginia 25401

7000 Hampton Center
Morgantown, West Virginia 26505

511 7th Street
Moundsville, West Virginia 26041

501 Avery Street
Parkersburg, West Virginia 26101

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ATTORNEYS AT LAW

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Lexington, Kentucky 40507

480 West Jubal Early Drive, Suite 130
Winchester, Virginia 22601

October 23, 2013

James V. Kelsh
Telephone — (304) 347-1135
Facsimile — (304) 343-3058

E-Mail Address:
jkelsh@bowlesrice.com

Preston County Public Service District No. 4
PO Box 370
Bruceton Mills, West Virginia 26525

West Virginia Water Development Authority
1009 Bullitt Street
Charleston, West Virginia 25301

West Virginia Infrastructure and Jobs Development Council
1009 Bullitt Street
Charleston, West Virginia 25301

Steptoe & Johnson PLLC
707 Virginia Street, E 715
Charleston, West Virginia 25301

Re: Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We are counsel to Preston County Public Service District No. 4 in Preston County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the Series 2013 A Bonds, dated October 23, 2013, 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"), a Bond Resolution duly adopted by the Issuer on October 16, 2013, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 16, 2013 (collectively, the "Bond Legislation"), orders of The County Commission of Preston County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer, and other documents, papers,

agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

We are of the opinion that:

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

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

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

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

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

6. The Issuer has duly published a notice of the acquisition and construction of the Project and related matters, as required under Chapter 16, Article 13 A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

7. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision dated May 4, 2012, which became a Final Order on May 24, 2012 in Case No. 11-1435-PWD-CN of the West Virginia Public Service Commission granting to the Issuer a certificate of convenience and necessity for the Project, approving rates for the System and approving the financing for the Project. An Affidavit of CPA dated October 14, 2013 was filed pursuant to such Order. The Order remains in full force and effect.

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 Loan Agreement, the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds, the collection of Gross Revenues or the pledge of the Net Revenues for the payment of the Bonds.

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

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

Sincerely,

Bowles Rice LLP

BOWLES RICE LLP

JVK/kay

**Smith, McMunn & Glover, PLLC**
Attorneys at Law

G. Thomas Smith
D. Andrew McMunn
David C. Glover

516 West Main Street
Clarksburg, WV 26301

Telephone: (304) 326-6000
Facsimile: (304) 326-4000
Writer's Email: davidcglover@aol.com

October 23, 2013

West Virginia Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

West Virginia Infrastructure & Jobs Development Council
1009 Bullitt Street
Charleston, West Virginia 25301

West Virginia Bureau of Public Health
350 Capitol Street, Room 702
Charleston, West Virginia 25301-3712

Re: Preston County Public Service District No. 4
Project No. 2011W-1241
Lenox/Cuzzart Project

Dear Council and Bureau:

This firm represents Preston County Public Service District No. 4 (hereinafter "District") as Property Counsel for the above-referenced Project, and provides this final title opinion on behalf of the District to satisfy the requirements of the West Virginia Bureau of Public Health and the West Virginia Infrastructure & Jobs Development Council with regard to the financing proposed for the Project. As such, please be advised of the following:

1. That we are of the opinion that the District is a duly created and existing public service district possessed with all powers and authority granted to public service districts under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by the West Virginia Bureau of Public Health and the

Public Service Commission of West Virginia.

2. That the District has obtained all necessary permits and approvals for the construction of the Project.

3. That we have investigated and ascertained the location of and am familiar with the legal description of the necessary sites, including easements and/or rights-of-way, required for the Project as set forth in the plans for the Lenox/Cuzzart Project prepared by Stantec Consulting Services Inc., the consulting engineers for the Project.

4. That we have examined the records on file in the Office of the Clerk of the County Commission of Preston County, West Virginia, the County in which the Lenox/Cuzzart Project is to be located and, in our opinion, the District has acquired legal title in all the necessary easements and/or rights-of-way for the Lenox/Cuzzart Project sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the facility to be constructed. Additionally, the District has obtained all fee takes/property purchases necessary for the Lenox/Cuzzart Project.

5. That all easements and/or rights-of-way and deeds which have been acquired to date by the District have been duly recorded in the aforesaid Clerk's Office in order to protect the legal title to and the interests of the District.

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

Very truly yours,

David C. Glover

David C. Glover

cc: James V. Kelsh, Esquire
Robert A. Bailey, Chairman
Richard Gaines, P.E.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. INSURANCE
12. VERIFICATION OF SCHEDULE
13. RATES
14. PUBLIC SERVICE COMMISSION ORDER
15. SIGNATURES AND DELIVERY
16. BOND PROCEEDS
17. PUBLICATION OF NOTICE OF PSC FILING
18. SPECIMEN BOND
19. CONFLICT OF INTEREST
20. GRANTS
21. PROCUREMENT OF ENGINEERING SERVICES
22. EXECUTION OF COUNTERPARTS

On this 23rd day of October, 2013, we, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Preston County Public Service District No. 4 in Preston County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, hereby certify in connection with the Issuer's Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated the date hereof (the "Series 2013 A Bonds") as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning set forth in the Bond Resolution of the Issuer duly adopted October 16, 2013, and a Supplemental Resolution of the Issuer duly adopted October 16, 2013 (collectively, the "Bond Legislation"), 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 Series 2013 A Bonds, the acquisition or construction of the Project, the operation of the System, the collection or use of the revenues of the System, or in any way contesting or affecting the validity of the Series 2013 A Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 2013 A

Bonds, the pledge or application of the Net Revenues or any other monies or security provided for the payment of the Series 2013 A Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Series 2013 A Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the Gross Revenues of the System, or the pledge of the Net Revenues for the Series 2013 A Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2013 A Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

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

There are outstanding bonds of the Issuer which will rank on a parity with the Series 2013 A Bonds as to liens, pledge and source of and security for payment, and in all respects, being the Issuer's: (i) Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds"); (ii) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds"); (iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds"); (iv) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 (the "Series 2010 A Bonds"); and (v) Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853 (the "Series 2012 A Bonds"), (collectively, the "Prior Bonds).

The Issuer has obtained (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consents of the Holders of the Prior Bonds to the issuance of the Series 2013 A Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

5. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, altered, 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 Council Approval

County Commission Orders on the Creation and Expansion of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Consent of Water Development Authority to Issuance of Parity Bonds

Consent of Rural Utilities Service to Issuance of Parity Bonds

Prior Bond Resolutions

Environmental Health Services Permit

Title Opinion

Evidence of Insurance

Evidence of Abandoned Mine Lands Grant

6. INCUMBENCY AND OFFICIAL NAME, ETC.: The proper corporate title of the Issuer is "Preston County Public Service District No. 4". The Issuer is a public service district and public corporation in Preston County and is 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:

| Name | Date of Commencement Of Office | Date of Termination Of Office |
|---|---|---|
| Robert Bailey | 02/21/2008 | 02/21/2014 |
| Carl Collins | 07/15/2009 | 07/15/2015 |
| James Summers | 05/02/2011 | 05/02/2017 |

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of the Issuer for calendar year 2013 are as follows:

Chairman - Robert Bailey
Secretary - James Summers

The duly appointed and acting counsel to Issuer is Bowles Rice LLP, Charleston, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2013 A Bonds.

8. MEETINGS, ETC.: All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Series 2013 A Bonds, the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. CONTRACTORS' INSURANCE, ETC.: All contractors have been required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. The successful bidders have provided the Drug-Free Workplace Affidavit as evidence of compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code. All insurance for the System required by the Bond Legislation and Loan Agreement is in full force and effect.

10. 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 and has met the requirements of the Loan Agreement.

The Issuer shall serve the additional customers at the location(s) as set forth in Certificate of Engineer. The Issuer shall not reduce the amount of additional customers served by the project without

the prior written approval of the Board of the Water Development Authority (the "Authority"). Following completion of the Project the Issuer shall certify to the Authority the number of customers added to the System.

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

12. VERIFICATION OF SCHEDULE: The final Schedule B attached to the Certificate of Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Series 2013 A Bonds.

13. RATES: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia dated May 4, 2012, which became Final Order on May 24, 2012 in Case No. 11-0995-PWD-42A, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of the Order has expired prior to the date hereof. The Order remains in full force and effect.

14. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia dated May 4, 2012, which became Final Order on May 24, 2012 in Case No. 11-1435-PWD-CN, among other things, granting the Issuer a certificate of convenience and necessity, approving the rates and charges for the services of the System and approving the financing for the Project. An Affidavit of CPA dated October 14, 2013 was filed pursuant to such Order. The Order remains in full force and effect.

15. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign all of the Series 2013 A Bonds of the aforesaid issue, consisting upon original issuance of a single Bond for each series of the Series 2013 A Bonds, 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 Series 2013 A Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate, register and deliver the Series 2013 A Bonds to a representative of the Authority as the original purchaser of the Series 2013 A Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

16. BOND PROCEEDS: On the date hereof, the Issuer received $192,693.86 from the Authority and the Council, being a portion of the principal amount of the Series 2013 A Bonds. The balance of the principal amount of the Series 2013 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

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

18. SPECIMEN BONDS: Delivered concurrently herewith are true and accurate specimens of the Series 2013 A Bonds.

19. CONFLICT 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 Series 2013 A Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

20. GRANTS: The Abandoned Mine Lands Grant of $11,671,811.28, is fully committed.

21. 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 Series 2013 A Bonds.

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

[Remainder of Page Intentionally Blank]

WITNESS our signatures and the official seal of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 as of the date first written above.

[CORPORATE SEAL]

| SIGNATURE | OFFICIAL TITLE |
| --- | --- |
| Robert A Bailey | Chairman |
| James R. Summers | Secretary |
| | Counsel to Issuer |

723800.00010

WITNESS our signatures and the official seal of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 as of the date first written above.

[CORPORATE SEAL]

| SIGNATURE | OFFICIAL TITLE |
| --- | --- |
| _____ | Chairman |
| _____ | Secretary |
| Bowles Rice LLP | Counsel to Issuer |

723800.00010

October 23, 2013

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

Preston County Public Service District No. 4
Bruceton Mills, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure & Jobs Development Council
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the water rates and charges set forth in the Recommended Decision dated May 4, 2012, which became Final Order on May 24, 2012, in Case No. 11-0995-PWD-42A of the Public Service Commission of West Virginia, and projected operating expenses and anticipated customer usage as furnished to me by Stantec Inc., Consulting Engineer, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will (i) pay all repair, operation and maintenance expenses of the System, and (ii) 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: (a) Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated October 23, 2013, issued in the aggregate principal amount of $290,500 (the "Series 2013 A Bonds") and (b) all other obligations secured by a lien on or payable from the revenues of the System, on a parity with the Bonds, including the Issuer's:

(i) Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds");

(ii) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds");

(iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds");

(iv) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 (the "Series 2010 A Bonds"); and

Michael D. Griffith, CPA, AFI
mgriffith@gcorpwv.com
950 Little Coal River Road Alum Creek, WV 25003
Phone: (304) 756.3600 Facsimile: (304) 756.2911

(v) Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853 (the "Series 2012 A Bonds") (collectively, the "Prior Bonds").

It is further our opinion that: (i) the Net Revenues for the Fiscal Year following the year in which the Series 2013 A Bonds are issued will be at least 120% of the average annual debt service on the Prior Bonds and the Series 2013 A Bonds; and (ii) the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2013 A Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2013 A Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Prior Bonds and the Series 2013 A Bonds.

Very truly yours,

GRIFFITH & ASSOCIATES

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO USE OF PROCEEDS

On this 23rd day of October, 2013, the undersigned Chairman of the Public Service Board of Preston County Public Service District No. 4 in Bruceton Mills, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of $290,500 Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund) (the "Series 2013 A Bonds") dated October 23, 2013 hereby certify as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Series 2013 A 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 October 16, 2013 and Supplemental Resolution duly adopted on October 16, 2013 (collectively, the "Bond Resolution"), authorizing the Series 2013 A 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 October 23, 2013, the date on which the Series 2013 A Bonds are being physically delivered in exchange for an initial advance of the principal of the Series 2013 A Bonds and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Resolution pursuant to which the Series 2013 A 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 Series 2013 A 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 Series 2013 A 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 2013 A Bonds were sold on October 23, 2013, to the Authority, pursuant to a loan agreement dated October 23, 2013, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of $290,500 (100% of par), at which time, the Issuer received $192,693.86 from the Authority and the Council, being the first advance of the principal amount of the Series 2013 A Bonds. The balance of the principal amount of the Series 2013 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2013 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 acquisition and construction of certain improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); and (ii) paying certain costs of issuance of the Series 2013 A Bonds and related costs.

7. Within 30 days after the delivery of the Series 2013 A Bonds, the Issuer shall enter into agreements which require the Issuer to expend in excess of 5% of the net sale proceeds of the Series 2013 A Bonds on the Project, constituting a substantial binding commitment, or has already done so. The acquisition, construction and equipping of the Project and the allocation of the net sale proceeds of the Series 2013 A Bonds to expenditures of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds deposited in the respective Reserve Accounts for the Series 2013 A Bonds, if any, all of the proceeds from the sale of the Series 2013 A Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before May 1, 2015. The acquisition and construction of the Project is expected to be completed by November 1, 2014.

8. The total cost of the Project is estimated at $11,962,311.28. Sources and uses of funds for the Project are as follows:

| | |
|---|---|
| SOURCES | |
| Proceeds of the Series 2013 A Bonds | $290,500.00 |
| AML Grant | $11,671,811.28 |
| Total Sources | $11,962,311.28 |
| USES | |
| Costs of Acquisition and Construction of the Project | $19,000.00 |
| Costs of Issuance | $11,943,311.28 |
| Total Uses | $11,962,311.28 |

9. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued relative to the Series 2013 A Bonds:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2013 A Bonds Construction Trust Fund;

(4) Series 2013 A Bonds Sinking Fund; and

(5) Series 2013 A Bonds Reserve Account.

10. Pursuant to Article VI of the Bond Resolution, the proceeds of the Series 2013 A Bonds will be deposited as follows:

(1) Series 2013 A Bond proceeds in the amount of $-0- will be deposited in the Series 2013 A Bonds Sinking Fund to cover capitalized interest.

(3) Series 2013 A Bond proceeds in the amount of $-0- will be deposited in the Series 2013 A Bonds Reserve Account.

(5) All proceeds of the Series 2013 A Bonds will be deposited in the Series 2013 A Bonds Construction Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2013 A Bonds and related costs.

11. Monies held in the Series 2013 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2013 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2013 A Bonds Sinking Fund and Series 2013 A Bonds Reserve Account, if any, will be withdrawn therefrom and deposited into the Series 2013 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

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

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

14. With the exception of the amount deposited in the Series 2013 A Bonds Reserve Account, if any, all of the proceeds of the Series 2013 A Bonds will be expended on the Project within 18 months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project prior to the last maturity date of the Series 2013 A Bonds.

16. The amount designated as cost of issuance of the Series 2013 A Bonds consists only of costs which are directly related to and necessary for the issuance of the Series 2013 A Bonds.

17. All property financed with the proceeds of the Series 2013 A Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

18. No proceeds of the Series 2013 A 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 Issuer covenants that it shall maintain thorough and accurate accounting records, in conformance with generally accepted accounting principles, relative to the proceeds of Bonds so that use of proceeds from each series of the Series 2013 A Bonds can be accounted for.

20. The original proceeds of the Series 2013 A Bonds will not exceed the amount necessary for the purposes of the issue.

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

25. The Series 2013 A Bonds are not federally guaranteed.

22. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Series 2013 A Bonds if such amendment is necessary to assure that the Series 2013 A Bonds remain governmental bonds.

23. The Issuer has either (a) funded the Series 2013 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Series 2013 A Bonds in the then current or any succeeding year with the proceeds of the Series 2013 A Bonds; or (b) created the Series 2013 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2013 A Bonds Reserve Account hold an amount equal to the maximum amount of principal and interest which will mature and become due on the Series 2013 A Bonds in the then current or any succeeding year. Monies in the Series 2013 A Bonds Reserve Account and the Series 2013 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2013 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 Series 2013 A Bonds, (b) are to be sold pursuant to a common plan of financing together with the Series 2013 A 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 Series 2013 A 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 Series 2013 A 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 as of the date first written above.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Robert A Bailey

Chairman

723800.00010

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

On this 23rd day of October, 2013, I, Richard L. Gaines, Registered Professional Engineer, West Virginia License No. 017220 of Stantec Consulting Services, Inc.., Fairmont, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain additions, betterments, improvements and extensions (the "Project") to the existing public waterworks system (the "System") of Preston County Public Service District No. 4 (the "Issuer"), to be constructed primarily in Preston County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. All capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on October 16, 2013, as supplemented by the Supplemental Resolution adopted by the Issuer on October 16, 2013, and the Loan Agreement for the Series 2013 A Bonds dated October 23, 2013, 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").

2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project, and (ii) paying costs of issuance of the Bonds and related costs.

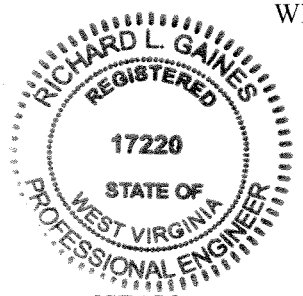
3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the Council and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the schematic design for the project began before July 1, 2012; (iii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least 32 years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (iv) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing described in Schedule B, attached hereto as Exhibit A and the Issuer's counsel, Bowles Rice LLP, will ascertain that all successful bidders have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds are verified for accuracy; (v) the successful bidders received any and all addenda to the original bid documents; (vi) the successful bidders have provided the Drug-Free Workplace Affidavit as evidence of the Vendor's compliance with the provisions of Article 1D, Chapter 21 of the West Virginia Code; (vii) the bid documents relating to the Project reflect the Project as approved by the Council and the bid forms provided to the bidders contain the critical operational components of the Project; (viii) the successful bids include prices for every item on such bid forms; (ix) the uniform bid procedures were followed; (x) the Issuer has obtained all applicable permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System; (xi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably

pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by the Council; and (xii) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

4. The Project has been designed to, and the construction contracts provide for, water service for 384 new customers in the Lennox Cuzzart areas.

[Remainder of Page Intentionally Blank]

WITNESS my signature and seal as of the date first written above.




[SEAL]

STANTEC CONSULTING SERVICES, INC.

Richard L. Gaines P.E.
West Virginia License No. 017220

723800.00010

2011W-1241

**Preston County PSD No. 4**
**Lennox/Cuzzart Water System Extension**
**Post Bid**

10/9/2013

| A. Cost of Project | TOTAL | AML GRANT | IJDC Loan |
|---|---|---|---|
| 1. Construction | | | |
| Contract 1 | 2,892,023.65 | 2,892,023.65 | 0.00 |
| Contract 2 | 2,830,036.00 | 2,830,036.00 | 0.00 |
| Contract 3 | 1,857,180.20 | 1,857,180.20 | 0.00 |
| Contract 4 | 714,000.00 | 714,000.00 | 0.00 |
| Contract 5 | 136,800.00 | 136,800.00 | 0.00 |
| Contract 6 | 1,721,000.00 | 1,721,000.00 | 0.00 |
| Contingency | paid by AML | paid by AML | 0.00 |
| DOH Inspection Fees | 158,958.00 | 158,958.00 | 0.00 |
| 2. Technical Services (Stantec) | | | |
| a Design Services | 433,416.43 | 433,416.43 | 0.00 |
| b Preliminary Engineering Report | 66,650.00 | 66,650.00 | 0.00 |
| c Pre Bid & Pre Construction | 56,114.50 | 56,114.50 | 0.00 |
| d Engineering During Construction | 98,000.00 | 98,000.00 | 0.00 |
| e Construction Stake out | 7,632.50 | 7,632.50 | 0.00 |
| f Resident Inspection | 650,000.00 | 650,000.00 | 0.00 |
| g Additional Services | 50,000.00 | 50,000.00 | 0.00 |
| h Acquire R/W | 50,000.00 | 0.00 | 50,000.00 |
| 3. Legal | 35,000.00 | 0.00 | 35,000.00 |
| 4. Administration | 86,000.00 | 0.00 | 86,000.00 |
| 5. Sites & Lands | 68,500.00 | 0.00 | 68,500.00 |
| 6. Permits | 6,000.00 | 0.00 | 6,000.00 |
| 7. Accounting | 26,000.00 | 0.00 | 26,000.00 |
| 8. Project Contingency | 0.00 | 0.00 | 0.00 |
| 9. TOTAL (Lines 1 through 8) | 11,943,311.28 | 11,671,811.28 | 271,500.00 |
| B. Cost of Financing | | | |
| 10. Registrar Fee | 500.00 | 0.00 | 500.00 |
| 11. Debt Reserve | 0.00 | 0.00 | 0.00 |
| 12. Bond Counsel (Steptoe & Johnson) | 18,500.00 | 0.00 | 18,500.00 |
| 13. Cost of Issuance (Line 10 thru Line 12) | 19,000.00 | 0.00 | 19,000.00 |
| 14. TOTAL COST OF PROJECT (Line 9 +Line 13) | **11,962,311.28** | **11,671,811.28** | **290,500.00** |
| C. Sources of Funds | | | |
| 15. Federal Grants (AML) | 11,238,394.85 | 11,238,394.85 | 0.00 |
| 16. Federal Grant (AML)- purchase orders | 433,416.43 | 433,416.43 | 0.00 |
| 17. State Grants | 0.00 | 0.00 | 0.00 |
| 18. Other Grants | 0.00 | 0.00 | 0.00 |
| 19. TOTAL GRANTS | 11,671,811.28 | 11,671,811.28 | 0.00 |
| 20. SIZE OF BOND ISSUE (Line 14 minus Line 19) | **$290,500.00** | **$0.00** | **$290,500.00** |

Robert L Beatty
Preston County PSD #4

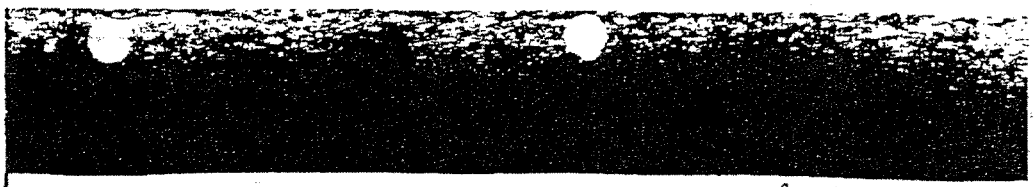
10/16/2013
Date

Stantec

10/21/13
Date

AML

10/15/13
Date



Law Order 32-

CONTINUANCE OF REGULAR SESSION

APRIL 29, 1983

STATE OF WEST VIRGINIA, COUNTY OF PRESTON, Ss:

The Preston County Commission met on April 29, 1983, at 7:00 P.M. in Continuance of Regular Session.

PRESENT: Ward Thomas, President; Wayne DeBerry, Willis Robertson, Eutha Larew, Eldon Cale, Sheridan Layman and David Friend. Ernest Gregg was absent. Also present was Mr. Weekly, County Coordinator.

The Meeting was opened by Deputy Sheriff Stiles.

Mr. Weekly advised the agenda for the meeting would be as follows:

7:00 P.M. - Public Hearing PSD #4

7:15 P.M. - Public Hearing CDBG

7:30 P.M. - Meeting with Elmer Nicholson
Re: Landfill

Mr. Weekly read public hearing notice re: PSD #4 and declared the public hearing to be open. He asked if any member present was in opposition to the creation of PSD #4 as stated - No one present in opposition. He asked if any one present in favor of creation of PSD #4. 8 persons indicated in the affirmative. Mr. Weekly invited public comment, none was had. Mr. Weekly declared the public hearing for PSD #4 closed at 7:10 P.M.

Commissioner Cale moved that PSD #4 be created in accordance with published notice. Motion seconded by Commissioner DeBerry and unanimous of those present.

Commissioner Cale placed the following nominations for PSD #4 board members before the Commission.

Paul Liston - Rt. 1, Albright, W. Va.

Robert Bailey - Rt. 2, Albright, W. Va.

Edwin Liston - Rt. 2, Albright, W. Va.

Commissioner Cale moved that the above nominated individuals be appointed to PSD #4 Board for terms of 2, 4, and 6 years to be determined by the appropriate W. V. Code cite. Motion seconded by Commissioner Robertson and unanimous of those present.

Mr. Weekly introduced Teri Curtis McLaughlin of Region VI who briefly explained the CDBG application.

A TRUE COPY

ATTEST: Nancy Reckart
NANCY RECKART, COUNTY CLERK
By Jane Hudson, Deputy

The Commission authorized Commissioner Gregg and Mr. Nicholson to meet with Mr. Rehe and determine what his desires are.

Commissioner Layman moved that Commission President be authorized to sign WVU Extension Service Contract. Motion seconded by Commissioner DeBerry and unanimous of those present.

Commissioner Robertson moved that the Commission adjourn. Motion seconded by Commissioner Cale and unanimous of those present.

Ward Thomas President.

An Abstract from the Record
L.O. Book 32

Nancy Rockart Clerk.

---oOo--- By Mafine Hartman Deputy

REGULAR SESSION

MAY 2, 1983

STATE OF WEST VIRGINIA, COUNTY OF PRESTON, Ss:

The Preston County Commission met in Regular Session on May 2, 1983, at 9:30 A.M. in the Commission Room.

PRESENT: Ward Thomas, President; Wayne DeBerry, Willis Robertson, Eutha Larew, Eldon Cale, Ernest Gregg, Sheridan Layman and David Friend. Also present: County Coordinator, Richard Weekly and Coordinator Secretary, Dianna Jackson.

The meeting was opened by Deputy Sheriff Walter May.

The first agenda item was Commission review of bills submitted for payment approval.

On motion by Commissioner Robertson, seconded by Commissioner Layman, and unanimously carried, the following Notary Applications were approved:

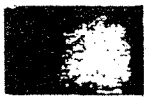
1. Nancy G. Friend
   146 Seemont Drive
   Kingwood, West Virginia

2. Helen Z. Miller
   R#1, Box 192
   Tunnelton, West Virginia

3. Jean A. Schnopp
   R#3, Box 147
   Bruceton Mills, West Virginia

4. Katherine L. Jenkins
   R#2
   Albright, West Virginia

# Certificate of Publication



## PUBLIC NOTICE

**Public Service District**

In accordance with Chapter 16, Article 13A, of the West Virginia Code, as amended, the Preston County Commission has proposed the creation of a public service district, to be known as "Preston County Public Service District 4" for the purposes of financing, construction, operation, and maintenance of a water system and for the supplying of water within the boundary of said district hereinafter described, and to exercise the powers and authority set forth and contained in Chapter 16, Article 13A, of the West Virginia Code, as amended, in regard to such proposed public service district, and which proposed public service district is located within a part of Pleasant and Grant Districts, Preston County, West Virginia, and more particularly bounded and described as follows:

Beginning at a point at the centerline intersection of U. S. Route 48 and West Virginia State Route No. 28; thence with the centerline of U. S. Route 48 in an easterly direction a distance of 2.38 miles to a point approximately one (1) mile East of West Virginia County Numbered Route 3 commonly known as the Terra Alta and Brandonville Pike; thence with a line one (1) mile East and parallel with said Route 3 commonly known as the Terra Alta - Brandonville Pike a distance of 6.95 miles to the present district line between Portland District and Pleasant District; thence with said district line in a southwesterly direction a distance of 6.15 miles to Cheat River; thence with Cheat River in a northwesterly direction 9.4 miles to the mouth of Big Sandy Creek; thence with Big Sandy Creek in a northerly direction 10.5 miles to the place of beginning, containing 57 square miles, more or less.

Notice is hereby given that a public hearing will be held before the County Commission of Preston County, at the County Commission Room in the Preston County Courthouse, Kingwood, West Virginia, on the 29th day of April, 1983, at 7:00 p.m., at which time all persons residing in, owning, or having any interest in property in said proposed public service district shall have an opportunity to be heard for or against the creation thereof.

DATED this 12th day of April, 1983.

Nancy Rockart

I, Delbert L. Benson

the undersigned publisher of The Preston County Journal, a weekly newspaper of general circulation, published at Kingwood, Preston County, West Virginia, do hereby certify that the notice

Public Service District

a copy of which notice is hereto annexed, was published in said paper for one

successive weeks, beginning with its issue of

April 14, 1983

and expiring with its issue of

April 14, 1983

And, I do further certify that on

April 14, 1983

I posted and left posted, a copy of said notice at the front door of the Court House of said county.

D L Benson

PUBLISHER

Subscribed and sworn to before me this the

28th day of September 1987

Nancy R. Robertson

NOTARY PUBLIC

My commission expires 3/7/93

Kingwood, W. Va.

Amount for publishing notice hereto $

PUBLISHER

Conrad Arnold and Margaret Blagg of the County Extension Service appeared before the Commission regardir some questions that the Commission had on Ms. Blagg's bills presented for payment. Commissioner Layman statec that if Ms. Blagg was going to spend a lot of her time in other Counties, then why couldn't these counties pick up the tab of her expenses.

Miss Blagg explained that she does work in other counties and they in turn come to Preston County and do programs and that this is a reciprocal program. Commissioner Thomas signed bills for Ms. Blagg for payment of her expenses.

Commissioner Cale advised that he had an order proposing the creation of Public Service District #4. Commissioner Cale advised that there must be a public hearing not less than 20 days nor more than 40 days from the date of the entry of this order

It was moved by Commissioner Gregg, seconded by Commissioner DeBerry and unanimous of those present, to enter the following order:

ORDER PROPOSING CREATION OF
PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4

WHEREAS, the County Commission of Preston County, West Virginia, by virtue of the provisions of Chapter 16, Article 13A, of the West Virginia Code, as amended, is vested with the authority to create within said Preston County public service districts to exercise the powers and authority therein set forth; and it appearing to the Commission that there are apparently many persons residing within the area hereinafter described, who desire to have a public service district formed for the purpose of supplying water service within such territory; and that the proposed public service district is located within a part of Pleasant and Grant Districts, Preston County, West Virginia, and the apparent public good will be promoted by the entry of an order proposing the creation of such public service district and fixing the time of a hearing before thi Commission as to the creation of said proposed public service district; it is, therefore,

ORDERED that the County Commission of Preston County, West Virginia, upon its own motion, as evidenced by the entry of this Order, does hereby propose the creation of a public service district, to be known as the "Preston County Public Service District No. 4" for the purposes of financing, construction, operation, and maintenance of a water system and for the supplying of water within the boundary of said district hereinafter described, and to exercise the powers and authority set forth and contained in Chapter 16, Article 13A, of the West Virginia Code, as amended, in regard to such proposed public service district, and which proposed public service district is located within a part of Pleasant and Grant Districts, Preston County, West Virginia, and more particularly bounded and described as follows:

Beginning at a point at the centerline intersection of U.S. Route 48 and West Virginia State Route No. 26; thence with the centerline of U. S. Route 48 in an easterly direction a distance of 2.35 miles to a point approximately one (1) mile East of West Virginia County Numbered Route 3 commonly known as the Terra Alta and Brandonville Pike; thence with a line one (1) mile East and parallel with said Route 3 commonly known as the Terra Alta-Brandonville Pike a distance of 6.95 miles to the present district line between Portland District and Pleasant District; thence with said district line in a southwesterly direction a distance of 6.15 miles to Cheat River; thence with Cheat River in a northwesterly direction 9.4 miles to the mouth of Big Sandy Creek; thence with Big Sandy Creek in a northerly direction 10.5 miles to the place of beginning, containing 57 square miles, more or less, as more particularly shown upon a map or plat attached to and made a part of this order, said map or plat dated March 1983, and prepared by Horner Bros. Engineers.

It further appearing to the County Commission that a hearing is required as to the creation of said proposed public service district for the purpose aforesaid, and that the date for such public hearing shall not be less than twenty (20) days nor more than forty (40) days from the date of entry of this Order, it is hereby further ORDERED that there be a public hearing before the County Commission of Preston County, at the County Commission Room in the Preston County Courthouse, Kingwood, West Virginia, on the 29th day of April, 1983, at 7:00 P.M., at which time all persons residing in, owning, or having any interest in property in said proposed public service district shall have an opportunity to be heard for or against the creation thereof.

It is further ORDERED that the Clerk of this Commission do publish in The Preston County Journal, a weekly newspaper having general circulation within the area of the above-described proposed public service district and within Preston County, a notice setting forth the objectives and purposes for the proposed creation of said district, the description of all territory therein proposed to be included, the date of the proposed hearing as herein set forth, and that such notice be published at least once a week in said newspaper at least ten (10) days prior to said hearing. There shall be posted in at least five (5) conspicuous places in the proposed Public Service District No. 4, a notice containing the same information as contained in the published notice. The posted notices shall be posted not less then ten (10) days before said hearing and said publication is to be made on or before the 18th day of April, 1983.

Commissioner DeBerry moved that Paul Fletcher be authorized to make repairs on the new bus not to exceed the amount of his estimate of $165.00. Motion seconded by Commissioner Gregg and unanimous of those present. Motion passed.

Commissioner Robertson advised the Commission of a work schedule given to him from the Landfill Supervisor. This schedule was set up whereby one operator started at 8:00 A.M. and worked until 4:00 P.M. each day and from 8:00 A.M. until 1:00 P.M. on Saturdays for a total of 45 hours per week. The other operator would start work at 9:00 A.M. and work until 4:00 P.M. each day for a total of 7 hours per day and then working 5 hours on Saturday, giving him a total of 40 per week. Commissioner Robertson suggested that both operators should keep the same number of hours with a 1/2 hour lunch break. Robertson stated he would like to see the operators working on a rotating basis whereby one individual would not work on Saturdays and then both operators would have a full weekend off every other weekend. Commissioner Robertson stated that he would like to have clarification on the ruling that two people must be on the job site at all times. Commissioner Robertson stated that he would get a ruling on this from the Department of Natural Resources. The girl working in the office, Mr. Robertson advised, would work 7 hours per day and 4 hours on Saturday for a total of 39 hours per week.

Commissioner Gregg moved that the Commission accept Commissioner Robertson's work-schedule proposal for the Landfill for the present time as presented, with both operators working each day from 8:00 A.M. until 4:00 P.M. with 1/2 hour for lunch and working 5 hours on Saturdays. Motion seconded by Commissioner Layman and unanimous of those present. Motion passed.

An Excerpt from the Minutes
April 7, 1983.

Nancy Reckart

Nancy Reckart, Clerk.
By Marjorie Martin, Deputy

February 15, 2000 - regular session

0607

Commissioner Jennings moved to reappoint Robert Bailey to a six-year term, expiring February 21, 2014, as a Board Member to Public Service District No. 4. Motion was seconded by Commissioner Cole. Question called for. A roll call vote was taken with Commissioners Jennings, Cole and Price voting yes. Motion carried.

Commissioner Cole moved to dispense with the reading in open court of the proceeding of the Clerk of this Commission had in vacation from February 4, 2000 through February 11, 2000, inclusive, and to approve and confirm the same as presented by the County Clerk, there having been no exceptions or objections filed thereto. Motion was seconded by Commissioner Jennings. Question called for. A roll call vote was taken with Commissioners Cole, Jennings and Price voting yes. Motion carried.

Ms. Hartman advised Commissioners that Leading Ladies have cancelled their appointment with them at 10:00 a.m. this morning.

Commissioner Cole moved that the following estate settlements and/or waivers thereof, having been filed for a period of ten (10) days prior to the commencement of this term, and there being no exceptions or objections filed thereto, be approved and confirmed.

Estate of James R. Bolyard, deceased – Waiver of Final Settlement – filed by Alice R. Bolyard

Estate of Willis Lee Hillery, deceased – Waiver of Final Settlement – filed by Harold B. Hillery, Personal Representative

Estate of Elizabeth Paesler, deceased – Report of Receipts, Disbursements and Distribution – filed by Paula B. Grimm, Executrix

Estate of Gerald A. Radcheaver, deceased – Report of Receipts, Disbursements and Distribution – filed by Harry C. Radcheaver

Motion was seconded by Commissioner Jennings. A roll call vote was taken with Commissioners Cole, Jennings and Price voting yes. Motion carried.

Commissioner Jennings moved to authorize President Price to execute the Grant Agreement between the Department of Housing and Urban Development and the Preston

0368

July 13, 2009 - Regular Session

Commissioner Price moved to approve the June Report and final drawdown and [illegible] FY 2009 Community Conservation Program. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was [illegible] Commissioners Price, Cole and Jennings voting yes. Motion carried.

Commissioner Price moved to dispense with the reading in open court of the minutes of the meetings held on June 25 and 29, 2009, and to approve the minutes as presented. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was taken with Commissioners Price, Cole and Jennings voting yes. Motion carried.

Ms. Herman advised Commissioners that Alfred Teets had earlier agreed to reappointment as a Board Member of PSD No. 2. However, he is now experiencing some health concerns and will forego a reappointment if an acceptable replacement is found. Raymond Waldeck has submitted his resume for this position.

Commissioner Cole moved to appoint Raymond Waldeck to a six-year term as Board Member to Public Service District No. 2, effective July 15, 2009, and expiring on January 31, 2015. Motion was seconded by Commissioner Price. Discussion called for. Question called for. A roll call vote was taken with Commissioners Cole, Price and Jennings voting yes. Motion carried.

July 13, 2009

Commissioner Price moved to reappoint Carl Collins as a Board Member of PSD No. 4, for a six-year term expiring on July 15, 2015. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was taken with Commissioners Price, Cole and Jennings voting yes. Motion carried.

Commissioner Cole moved to reappoint Martin Wotring as a Board Member of the Preston County Sewer Public Service District, for a six-year term expiring on January 31, 2015. Motion was seconded by Commissioner Price. Discussion called for.

February 15, 2010 - regular session

0607

Commissioner Jennings moved to reappoint Robert Bailey to a six-year term, expiring February 21, 2014, as a Board Member to Public Service District No. 4. Motion was seconded by Commissioner Cole. Question called for. A roll call vote was taken with Commissioners Jennings, Cole and Price voting yes. Motion carried.

Commissioner Cole moved to dispense with the reading in open court of the proceeding of the Clerk of this Commission had in vacation from February 4, 2009 through February 11, 2008, inclusive, and to approve and confirm the same as presented by the County Clerk, there having been no exceptions or objections filed thereto. Motion was seconded by Commissioner Jennings. Question called for. A roll call vote was taken with Commissioners Cole, Jennings and Price voting yes. Motion carried.

Ms. Hartman advised Commissioners that Leading Ladies have cancelled their appointment with them at 10:00 a.m. this morning.

Commissioner Cole moved that the following estate settlements and/or waivers thereof, having been filed for a period of ten (10) days prior to the commencement of this term, and there being no exceptions or objections filed thereto, be approved and confirmed.

Estate of James R. Bolyard, deceased – Waiver of Final Settlement – filed by Alice R. Bolyard

Estate of Wilda Lee Hillery, deceased – Waiver of Final Settlement – filed by Harold B. Hillery, Personal Representative

Estate of Elizabeth Peaples, deceased – Report of Receipts, Disbursements and Distribution – filed by Paula E. Grimm, Executrix

Estate of Gerald A. Rodeheaver, deceased – Report of Receipts, Disbursements and Distribution – filed by Harry C. Rodeheaver

Motion was seconded by Commissioner Jennings. A roll call vote was taken with Commissioners Cole, Jennings and Price voting yes. Motion carried.

Commissioner Jennings moved to authorize President Price to execute the Grant Agreement between the Department of Housing and Urban Development and the Preston

0368

July 13, 2009 - Regular session

Commissioner Price moved to approve the June Report and final drawdown and closeout for the FY 2009 Community Conservation Program. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was taken with Commissioners Price, Cole and Jennings voting yes. Motion carried.

Commissioner Price moved to dispense with the reading in open court of the minutes of the meetings held on June 25 and 29, 2009, and to approve the minutes as presented. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was taken with Commissioners Price, Cole and Jennings voting yes. Motion carried.

Ms. Herrman advised Commissioners that Alfred Teets had earlier agreed to reappointment as a Board Member of PSD No. 2. However, he is now experiencing some health concerns and will forego a reappointment if an acceptable replacement is found. Raymond Waldeck has submitted his resume for this position.

Commissioner Cole moved to appoint Raymond Waldeck to a six-year term as Board Member to Public Service District No. 2, effective July 15, 2009, and expiring on January 31, 2015. Motion was seconded by Commissioner Price. Discussion called for. Question called for. A roll call vote was taken with Commissioners Cole, Price and Jennings voting yes. Motion carried.

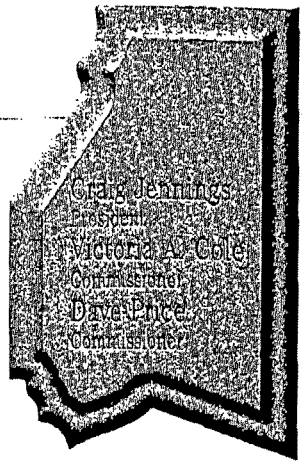
July 13, 2009

Commissioner Price moved to reappoint Carl Collins as a Board Member of PSD No. 4, for a six-year term expiring on July 15, 2015. Motion was seconded by Commissioner Cole. Discussion called for. Question called for. A roll call vote was taken with Commissioners Price, Cole and Jennings voting yes. Motion carried.

Commissioner Cole moved to reappoint Martin Wotring as a Board Member of the Preston County Sewer Public Service District, for a six-year term expiring on January 31, 2015. Motion was seconded by Commissioner Price. Discussion called for.

# Preston County Commission

Courthouse Annex
106 W. Main Street, Suite 202
Kingwood, West Virginia 26537
Phone (304) 329-1805
Fax (304) 329-3192
TDD (304) 329-0652
www.prestoncountywv.org




May 27, 2011

Mr. Jim Summers
305 Centenary Road
Bruceton Mills WV 26525

Dear Mr. Summers:

The Preston County Commission is pleased to advise you that at the County Commission meeting held on May 23, you were reappointed as a board member for the Public Service District No. 4.

Your appointment is a six-year term is retroactive to May 2, 2011. Your new term will terminate on May 2, 2017.

I am enclosing an Oath of Office. Sometime, in the near future when you are in Kingwood, please bring this oath into the County Clerk's Office where it can be administered and then recorded.

The County Commission is appreciative of your willingness to serve on this most worthwhile Board.

If you have any questions or we can be of service to you in any way, please contact us.

Sincerely,

T. Craig Jennings, President
Preston County Commission

NANCY L. KECKART
PRESTON COUNTY COMMISSION
KINGWOOD, WV 26537-1151

***STATE OF WEST VIRGINIA, COUNTY OF PRESTON, SS:***

*I,* Robert Bailey *do solemnly swear that I will support the Constitution of the United States and the Constitution of this State; and that I will faithfully discharge the duties of my office of* Board Member of Public Service District No. 4

*of Preston County, for the* 6-Year *term commencing on the* 21st *day of* February terminating on February 21, 2014 ~~19~~2008 *to the best of my skill and judgment. So help me God.*

*(Sign Here)* Robert A Bailey

*Subscribed and sworn to before the undersigned this* 21st *day of* February ~~19~~ 2008

Lynn Bolyard, Deputy

County Clerk
Kingwood, W. VA.

NANCY L KECKART
PRESTON County 11:02:00 AM
Instrument No 85527
Date Recorded 02/21/2008
Document Type OFF/O
Book-Page O-578
Rec/Preserve $0.00 $0.00

BOOK 0006 PAGE 0426

CHARLES B FELTON JR
PRESTON COUNTY COMMISSION
106 W MAIN ST STE 103
KINGWOOD, WV 26537-1131

*STATE OF WEST VIRGINIA, COUNTY OF PRESTON, SS:*

*I,* CARL COLLINS *do solemnly swear that I will support the Constitution of the United States and the Constitution of this State; and that I will faithfully discharge the duties of my office of* BOARD MEMBER - PUBLIC SERVICE DISTRICT NO. 4

*of Preston County, for the* 6-year *term commencing on the* 15th *day of* July 2009, and expiring on July 15, 2015 *to the best of my skill and judgment. So help me God.*

*(Sign Here)* Carl R Collins

*Subscribed and sworn to before the undersigned this* 31st *day of* August *A.D.* 2009

Lynn Belyard, Deputy

County Clerk
Kingwood, W. VA.

Charles B Felton Jr
PRESTON County 11:21:13 AM
Instrument No 117264
Date Recorded 08/31/2009
Document Type DEED
Book-Page 6-426

Filed in:
Preston County Clerk's Office
Kingwood WV
8-25-05

0006 0315

*STATE OF WEST VIRGINIA, COUNTY OF PRESTON, SS:*

*I,* Jim Summers *do solemnly swear that I will support the Constitution of the United States and the Constitution of this State; and that I will faithfully discharge the duties of my office of* Board Member of Public Service District No. 4

*of Preston County, for the* 6-year *term commencing on the* 1st and expiring on May 1, 2011

*day of* May 2005 *to the best of my skill and judgment. So help me God.*

*(Sign Here)* Jim Summers

*Subscribed and sworn to before the undersigned this* 20th *day of* May 2005

Carolyn Sue Bishop

My commission expires March 6, 2014

County Clerk
Kingwood, W. VA.

Notary Public, State of West Virginia
Carolyn Sue Bishop
Preston County Clerk's Office
101 W. Main St., Rm. 201
Kingwood, WV 26537
My commission expires March 6, 2014

NANCY RECKART
OFFICIAL OATHS Clerk (S)
Date/Time: 05/20/2005 11:41
Inst #: 4540
Bond Fees: 6- / 315- .00
Recd/Tax: .00

STATE OF WEST VIRGINIA, County of Preston, to-wit:

I, NANCY RECKART, Clerk of the County Commission of said county, do hereby certify that the foregoing writing was this day produced to me in my said office, and was duly admitted to record therein.

Given under my hand this 20th day of May, 2005, at 11:41.

NANCY RECKART, Clerk
By Sue Bishop, Deputy

# RULES OF PROCEDURE

## PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

### ARTICLE I

### NAME AND PLACE OF BUSINESS

Section 1. Name: Preston County Public Service District No. 4.

Section 2. The principal office of this Public Service District will be located at Bruceton Mills, Preston County, West Virginia.

Section 3. The Common Seal of the District shall consist of two concentric circles between which circles shall be inscribed "Preston County Public Service District No. 4", and in the center "seal" as follows:

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

### ARTICLE II

### PURPOSE

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

## ARTICLE III

## MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Preston 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 Commimssion 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 Second Monday 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, two members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise waived, notice to members by letter or telephone shall be required for regular meetings. Unless otherwise waived, notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least three days before the date fixed for such meeting. The notice of any special meeting shall state briefly the purposes of such meeting, and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended, notice of the time and place of all regularly scheduled sessions of such Public Service Board, and the time, place and purpose of all special sessions of such Public Service Board, shall be made available, in advance, to the public and news media as follows:

A. A notice shall be posted by the Secretary of the Public Service Board of the Public Service District at the front door of the Preston County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board of the time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled meetings. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the Public Service Board at the front door to the Preston County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board at least 48 hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

**NOTICE OF SPECIAL SESSION**

The Public Service Board of Preston County Public Service District No. 4 will meet in special session on _____, at _____.M., prevailing time, at _____, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a _____ Bond, Series _____, of the District, in the principal amount of $_____, to provide funds for the construction of _____ facilities of the District.

2.

_____
Secretary

Date: _____

## ARTICLE V

## OFFICERS

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

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

## ARTICLE VI

## DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. He shall, together with the Secretary, sign the Minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these By-Laws, or prescribed by law. He shall execute, and if necessary, acknowledge for record, any Deeds, Deeds of Trust, Contracts, Notes, Bonds, Agreements, or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the Minutes of the meetings at which he is present. The Secretary shall have charge of the Minute Book, be the custodian of Deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out on orders authorized or approved

by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board.

## ARTICLE VII

## AMENDMENTS TO RULES OF PROCEDURE

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

**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**
**WATER REVENUE BONDS, SERIES 2013 A**
**(WEST VIRGINIA INFRASTRUCTURE FUND)**

MINUTES ON ELECTION OF OFFICERS FOR YEAR 2013,
ADOPTION OF BOND RESOLUTION, SUPPLEMENTAL RESOLUTION,
SWEEP RESOLUTION AND FIRST DRAW RESOLUTION

The undersigned Secretary of the Public Service Board of Preston County Public Service District No. 4 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 Preston County Public Service District No. 4 met in regular session, pursuant to notice duly given, on the 16th day of October, 2013, at Bruceton Mills, West Virginia, at the hour of 6:30 p.m.

| | | | |
|---|---|---|---|
| PRESENT: | Robert Bailey | - | Chairman |
| | Carl Collins | - | Treasurer |
| | James Summers | - | Secretary |

ABSENT: None

Robert Bailey, acted as Chairman, presided, and James Summers, 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, following nomination and vote for each office, the following members were elected to the following offices for the 2013 calendar year:

| | | |
|---|---|---|
| Robert Bailey | - | Chairman |
| James Summers | - | Secretary |

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2013 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 THE 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 James Summers and seconded by Carl Collins, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING AND APPROVING 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 SERIES 2013 A BONDS.

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

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by James Summers and seconded by Carl Collins, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Chairman presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by James Summers and seconded by Carl Collins, it was unanimously ordered that the said Sweep Resolution be adopted.

*** *** ***

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

[Remainder of Page Intentionally Blank]

CERTIFICATION

I further hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 23rd day of October, 2013.

James R. Summers

Secretary

723800.00010

**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**
**WATER REVENUE BONDS, SERIES 2013 A**
**(WEST VIRGINIA INFRASTRUCTURE FUND)**

MINUTES ON ELECTION OF OFFICERS FOR YEAR 2013,
ADOPTION OF BOND RESOLUTION, SUPPLEMENTAL RESOLUTION,
SWEEP RESOLUTION AND FIRST DRAW RESOLUTION

The undersigned Secretary of the Public Service Board of Preston County Public Service District No. 4 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 Preston County Public Service District No. 4 met in regular session, pursuant to notice duly given, on the 16th day of October, 2013, at Bruceton Mills, West Virginia, at the hour of 6:30 p.m.

| | | | |
|---|---|---|---|
| PRESENT: | Robert Bailey | - | Chairman |
| | Carl Collins | - | Treasurer |
| | James Summers | - | Secretary |

ABSENT: None

Robert Bailey, acted as Chairman, presided, and James Summers, 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, following nomination and vote for each office, the following members were elected to the following offices for the 2013 calendar year:

| | | |
|---|---|---|
| Robert Bailey | - | Chairman |
| James Summers | - | Secretary |

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

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,500 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2013 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 THE 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 James Summers and seconded by Carl Collins, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

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

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2013 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING AND APPROVING 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 SERIES 2013 A BONDS.

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

Next, the Chairman presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by James Summers and seconded by Carl Collins, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Chairman presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by James Summers and seconded by Carl Collins, it was unanimously ordered that the said Sweep Resolution be adopted.

*** *** ***

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

[Remainder of Page Intentionally Blank]

CERTIFICATION

I further hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 23rd day of October, 2013.

James R. Summers

Secretary

723800.00010

**WV MUNICIPAL BOND COMMISSION**
900 Pennsylvania Ave
Suite 1117
Charleston, WV 25301
(304) 558-3971

**NEW ISSUE REPORT FORM**

Date of Report: 10/23/2013

ISSUE: Preston County Public Service District No.4
Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund)

ADDRESS: 17840 North Preston Hwy, Bruceton Mills, West Virginia 26525 COUNTY: Preston

PURPOSE OF ISSUE:
New Money: x
Refunding:

ISSUE DATE: 10/23/2013
ISSUE AMOUNT: 9/1/2015
1ST DEBT SERVICE DUE: 9/1/2015
1ST DEBT SERVICE AMOUNT $3,225.50

REFUNDS ISSUE(S) DATED: NA
CLOSING DATE: 10/23/2013
RATE: 2%
1ST PRINCIPAL DUE: 9/1/2015
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

CLOSING BANK:
Bank: Clear Mountain Bank
Contact: Lisa Schnopp
Phone: 304.379.2265

KNOWLEDGEABLE ISSUER CONTACT
Contact: Robert Bailey
Position: Chairman
Phone: (304) 379.3130

UNDERWRITERS COUNSEL
Firm: Jackson Kelly, PLLC
Contact: Samme Gee, Esquire
Phone: (304) 340-1318

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

OTHER:
Agency: West Virginia Infastructure & Jobs Development Council
Contact: James Ellars, P.E.
Position: Executive Director
Phone: 304.414.6501

DEPOSITS TO MBC AT CLOSE
By: ____ Wire ____ Check

____ Accrued Interest: $ ____
____ Reserve Account $ ____
____ Other: $ ____
____ $ ____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire ____ Check ____ IGT

____ To Escrow Trustee $ ____
____ To Issuer $ ____
____ To Cons. Invest. Func $ ____
____ To Other: ____ $ ____

NOTES: The Series 2013 A Bonds Reserve Account will be funded over 10 years.

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

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Clear Mountain Bank, Bruceton Mills, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of the Preston County Public Service District No. 4 (the "Issuer") adopted by the Issuer on October 16, 2013, and a Supplemental Resolution adopted by the Issuer on October 16, 2013 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated October 23, 2013, in the aggregate principal amount of $290,500 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 23rd day of October, 2013.

CLEAR MOUNTAIN BANK

By: _____
Its: Authorized Officer

723800.00010

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 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 Preston County Public Service District No. 4 Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated October 23, 2013, in the aggregate principal amount of $290,500, (the "Series 2013 A Bonds"), and agrees to perform all duties of Registrar in connection with the Series 2013 A Bonds, all as set forth in the Bond Legislation authorizing issuance of the Series 2013 A Bonds.

WITNESS my signature on this 23rd day of October, 2013.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

723800.00010

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of the Preston County Public Service District No. 4 (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), of the Issuer, dated October 23, 2013, in the principal amount of $290,500, numbered AR-1, registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 23rd day of October, 2013.

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

# REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 23rd day of October, 2013, by and between the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public service district, 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 $290,500 principal amount of Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), dated the date hereof, in fully registered form (the "Series 2013 A Bonds"), pursuant to a Bond Resolution of the Issuer duly adopted October 16, 2013, and a Supplemental Resolution of the Issuer duly adopted October 16, 2013 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as EXHIBIT A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Series 2013 A Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Series 2013 A Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver the Series 2013 A Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Series 2013 A Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

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

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Preston County Public Service District No. 4
17840 North Preston Hwy
Bruceton Mills, West Virginia 26525
Attention: Chairman

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, register and deliver the Series 2013 A Bonds in accordance with the Bond Legislation.

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

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

By: _____
Its: Chairman

THE HUNTINGTON NATIONAL BANK

By: _____
Its: Authorized Officer

723800.00010

EXHIBIT A

Bond Legislation included in bond transcript as Documents No. 1 and No. 2

SCHEDULE OF COMPENSATION

(See Attached)

Huntington

Huntington Wealth Advisors
900 Lee Street - 2nd Floor | WE3013 | Charleston, West Virginia 253(

STATEMENT OF REGISTRAR'S FEES
Invoice Date October 23, 2013

**Preston County Public Service District No. 4**
**Account Number 6089001809**

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
c/o Katy Mallory
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

**********

FEE CALCULATION FOR October, 2013

**********

| | |
|---|---|
| TOTAL AMOUNT | $ 500.00 |
| **TOTAL DUE** | **$ 500.00** |

**MAIL CHECK TO:**
**THE HUNTINGTON NATIONAL BANK**
**ATTN: BARRY GRIFFITH – WE3013**
**PO BOX 633**
**CHARLESTON, WV 25322-0633**

**PLEASE INCLUDE A COPY OF THIS INVOICE WITH YOUR PAYMENT**

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

® and Huntington® are ...

# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 9/5/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

**PRODUCER**
Bill Bailey Insurance Agency
701 Highland Avenue
P. O. Box 246
Williamstown WV 26187

**CONTACT NAME:** Renee Shotwell
**PHONE (A/C, No, Ext):** (304) 375-4900 **FAX (A/C, No):** (304) 375-2162
**E-MAIL ADDRESS:** rshotwell@bb-ins.com

| INSURER(S) AFFORDING COVERAGE | NAIC # |
|---|---|
| INSURER A : American Alternative Insurance | |
| INSURER B : | |
| INSURER C : | |
| INSURER D : | |
| INSURER E : | |
| INSURER F : | |

**INSURED**
Preston County PSD #4
PO Box 370
Bruceton Mills WV 26525

**COVERAGES** **CERTIFICATE NUMBER:** CL139500558 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSR | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS | |
|---|---|---|---|---|---|---|---|---|
| A | GENERAL LIABILITY<br>[X] COMMERCIAL GENERAL LIABILITY<br>[ ] CLAIMS-MADE [X] OCCUR<br>GEN'L AGGREGATE LIMIT APPLIES PER:<br>[ ] POLICY [ ] PRO-JECT [ ] LOC | | | GPPA-PF-6050912-03 | 7/1/2013 | 7/1/2014 | EACH OCCURRENCE<br>DAMAGE TO RENTED PREMISES (Ea occurrence)<br>MED EXP (Any one person)<br>PERSONAL & ADV INJURY<br>GENERAL AGGREGATE<br>PRODUCTS - COMP/OP AGG | $ 1,000,000<br>$ 1,000,000<br>$ 10,000<br>$ 1,000,000<br>$ 3,000,000<br>$ 3,000,000 |
| A | AUTOMOBILE LIABILITY<br>[ ] ANY AUTO<br>[ ] ALL OWNED AUTOS<br>[ ] HIRED AUTOS<br>[X] SCHEDULED AUTOS<br>[ ] NON-OWNED AUTOS | | | GPPA-PF-6050912-03 | 7/1/2013 | 7/1/2014 | COMBINED SINGLE LIMIT (Ea accident)<br>BODILY INJURY (Per person)<br>BODILY INJURY (Per accident)<br>PROPERTY DAMAGE (Per accident)<br>Uninsured motorist combined | $ 1,000,000<br>$<br>$<br>$<br>$ 1,000,000 |
| A | [ ] UMBRELLA LIAB [X] OCCUR<br>[X] EXCESS LIAB [ ] CLAIMS-MADE<br>[ ] DED [ ] RETENTION $ | | | GPPA-PF-6050912-03 | 7/1/2013 | 7/1/2014 | EACH OCCURRENCE<br>AGGREGATE | $ 1,000,000<br>$ 1,000,000 |
| | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY<br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N [ ]<br>(Mandatory in NH)<br>If yes, describe under DESCRIPTION OF OPERATIONS below | N / A | | | | | WC STATU-TORY LIMITS [ ] OTH-ER<br>E.L. EACH ACCIDENT<br>E.L. DISEASE - EA EMPLOYEE<br>E.L. DISEASE - POLICY LIMIT | $<br>$<br>$ |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

**CERTIFICATE HOLDER**

WV Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Renee D. Shotwell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PWSID: WV3303923

# State of West Virginia

## OFFICE OF ENVIRONMENTAL HEALTH SERVICES

350 CAPITOL STREET, ROOM 350 CHARLESTON, WV 25301-3713
Telephone (304) 558-2981

## PERMIT

**PROJECT:** (Water) Lenox/Cuzzart Water Line Extension **PERMIT NO.:** 18,960

**LOCATION:** Lenox/Cuzzart **COUNTY:** Preston **DATE:** 1-27-2012

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

**Preston County PSD #4**
**P. O. Box 370**
**Bruceton Mills, West Virginia 26525**

is hereby granted approval to: install approximately 25,030 LF of 2", 4,595 LF of 4", 130,365 LF of 6" and 72,690 LF of 8" water line; two (2) 330 GPM duplex booster stations with booster chlorination and VFD; one (1) 60 GPM duplex booster station with booster chlorination and VFD; one (1) 32 GPM duplex hydro-pneumatic booster station with VFD; one (1) 110,000 gallon, one (1) 157,000 gallon, one (1) 39,000 gallon and one (1) 22,000 gallon water storage tanks; one (1) pressure reducing station with two (2) 1 ½" pressure reducing valves and solenoid shut-off valves; two (2) pressure reducing stations with two (2) 1 ½" pressure reducing valves; and all necessary valves, controls and appurtenances.

Facilities are to serve approximately 418 new customers in the Lenox/Cuzzart area of Preston County

**NOTE:** **This permit is contingent upon: 1) All new water line and water storage tanks being disinfected, flushed and bacteriologically tested, prior to use; and 2) Enclosing the new water storage tanks with a minimum for (4) feet high fence with locking gates.**

The Office of Environmental Health Services **OEHS Philippi District Office, (304) 457-2296,** is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR

William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH:snj

pc: Greenhorne & O'Mara, Inc.
Ingrid Ferrell, PSC-Engineering Division
Amy Swann, PSC
Preston County Health Department
OEHS-EED Philippi District Office

west virginia department of environmental protection

Office of Abandoned Mine Lands & Reclamation
601 57th Street SE
Charleston, WV 25304
Telephone: (304) 926-0485
Fax: (304) 926-0458

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

October 10, 2013

James W. Ellars, P.E., Executive Director
WV Infrastructure and Jobs Development Council
1009 Bullitt Street
Charleston, WV 25301-1003

Re: Preston County Public Service District #4
Lenox/Cuzzart Waterline Extension

Dear Mr. Ellars:

Below is a breakdown of the committed AML funds for the above referenced project:

| | |
|---|---|
| Construction | $10,151,039.85 |
| Preliminary Engineering Report | $ 66,650.00 |
| Pre-Bid and Pre-Construction | $ 56,114.50 |
| Engineering During Construction | $ 98,000.00 |
| Construction Stakeout | $ 7,632.50 |
| Resident Inspection | $ 650,000.00 |
| Additional Services | $ 50,000.00 |
| WVDOH Inspection Fees | $ 158,958.00 |
| Sub Grant Total | $11,238,394.85 |
| Purchase Order Total for Design Services | $ 433,416.43 |
| AML Total | **$11,671,811.28** |

Regarding contingency, AML will pay 100% of construction change orders which are determined to be AML eligible.

If you have any questions, please feel free to call Jonathan Holbert, P.E. at 304-926-0499 ext. 1459.

Sincerely,

Robert D. Rice, Chief
Office of Abandoned Mine Lands & Reclamation

# PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

**P.O. Box 370, Bruceton Mills, WV 26525**

**304-379-3130**

**August 13, 2013**

Jonathan Holbert
WVDEP Office of Abandoned Mine Lands & Reclamation
601 57th ST SE
Charleston, WV 25304

**Re: Lenox/Cuzzart Project**

Dear Mr. Holbert:

Stantec Consulting, Inc. has brought to our attention that the permit fees estimated for this project is not enough to cover the West Virginia Department of Highways (WVDOH) inspection fees.

The WVDOH charges $0.43 per foot of water line installed inside of their right-of-way. The total length of new line in the WVDOH is estimated to be 369,670 feet which is a cost of $158,958.00. This amount will be paid to the WVDOH prior to construction commencement which is scheduled for October 23, 2013.

Please accept this letter as a request to for additional grant to cover the inspection fees required by WVDOH. Should you have any questions please feel free to contact me at the PSD office at (304) 379-3031.

Sincerely,

**Preston Co. PSD No. 4**

Robert A. Bailey, Chairman

Amendment # 1

West Virginia Department of Environmental Protection

| CFDA# | WV CODE | CFR |
|---|---|---|
| 15.252 | Chapter 22-1-6 | 30 CFR Chapter VII |

| Recipient Type: | Grant Year: | Grant Number: | Mailing Date: | Date of Award: |
|---|---|---|---|---|
| Local Government | 2013 | 21943 | NA | 07/01/13 |

| Sub Recipient: (Include FEIN) | Sub Recipient Contact: |
|---|---|
| Preston County Public Service District #4<br>PO Box 370<br>Bruceton Mills, WV 26525<br>FEIN#: 550676070 DUNS#: 926566282 | Preston County Public Service District #4<br>Al Bailey, Chairman<br>PO Box 370<br>Bruceton Mills, WV 26525 |

**Project Title and Description:**

**Lenox/Cuzzart Waterline Extension:**
This project is located in the Beech Run, Lexxon, Centenary and Cuzzart areas of Preston County and includes the installation of approximately 44.12 miles of water line, 4 booster stations, 4 water tanks, telemetry, and various valves and appurtenances to extend water to 418 customers in the project area.

| Performance Period: | Total Sub Grant Award: |
|---|---|
| 07/01/13-06/30/14 | $11,079,436.85 |

## NOTICE OF CHANGE
## AMENDMENT #1

The specific terms and conditions of this amendment are as follows:

1. Amend the Total Sub Grant Award to include the actual construction costs as shown on the accepted bid tabulations. The successful bids for the project contracts total **$10,151,039.85**, which is hereby added to this sub grant. The amended sub grant balance is **$11,079,436.85**.

This amendment takes effect at the time of signing by the Cabinet Secretary of WVDEP or his authorized representative. In all other respects the sub grant of which this is an amendment shall remain in full force and effect.

**AWARD APPROVAL OFFICE**

**ORGANIZATION / ADDRESS**

Randy C. Huffman, Cabinet Secretary
West Virginia Department of Environmental Protection
601 57th Street, S.E.
Charleston, WV 25304

| WVDEP Controller: | WVDEP Sub Grant Unit: | WVDEP (Project Manager): |
|---|---|---|
| WVDEP<br>Jean Sheppard, Controller<br>Office of Administration<br>601 57th Street, S.E.<br>Charleston, WV 25304<br>Phone: 304-926-0499 ext 1551 | WVDEP<br>Gary Rogers, ERS III<br>Office of Administration<br>601 57th Street, S.E.<br>Charleston, WV 25304<br>Phone: 304-926-0499 ext 1115 | WVDEP<br>Attn: Shelton Barger, Regional Engineer<br>Office of AML&R<br>101 Cambridge Place<br>Bridgeport, WV 26330<br>Phone: 304-842-1900 |

## WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION

| Signature of Award Official | Typed Name and Title | Date |
|---|---|---|
| Digital signature applied by WVDEP Award Official | Randy C. Huffman, Cabinet Secretary WVDEP | 09/05/13 |

## AFFIRMATION OF AWARD

**BY AND ON BEHALF OF THE DESIGNATED RECIPIENT ORGANIZATION**

| Signature | Typed Name and Title | Date |
|---|---|---|
| Robert A Bailey | Robert A. Bailey | 9/4/2013 |

West Virginia Department of Environmental Protection

| CFDA# | WV CODE | CFR |
|---|---|---|
| 15.252 | Chapter 22-1-6 | 30 CFR Chapter VII |

| Recipient Type: | Grant Year: | Grant Number: | Mailing Date: | Date of Award: |
|---|---|---|---|---|
| Local Government | 2013 | 21943 | NA | 07/01/13 |

| Sub Recipient: (Include FEIN) | Sub Recipient Contact: |
|---|---|
| Preston County Public Service District #4<br>PO Box 370<br>Bruceton Mills, WV 26525<br>FEIN#: 550676070 DUNS#: 926566282 | Preston County Public Service District #4<br>Al Bailey, Chairman<br>PO Box 370<br>Bruceton Mills, WV 26525 |

**Project Title and Description:**

**Lenox/Cuzzart Waterline Extension:**
This project is located in the Beech Run, Lexxon, Centenary and Cuzzart areas of Preston County and includes the installation of approximately 44.12 miles of water line, 4 booster stations, 4 water tanks, telemetry, and various valves and appurtenances to extend water to 418 customers in the project area.

| Performance Period: | Total Sub Grant Award: |
|---|---|
| 07/01/13-06/30/14 | $928,397.00 |

## NOTICE OF AWARD

The West Virginia Department of Environmental Protection (WVDEP) under Chapter 22 Article 2 of the Code of West Virginia is charged with the reclamation of lands and water affected by the adverse affects of coal mining activities which took place prior to August 3, 1977, pursuant to Title IV of Public Law 95-87 known as "The Surface Mining Control and Reclamation Act of 1977" and the "Tax Relief and Health Care Act of 2006" Public Law 109-432 which included the Surface Mining Control and Reclamation Amendments of 2006.

WVDEP has determined that the Lenox/Cuzzart Waterline Extension Project is 100% impacted from pre-1977 coal mining operations. Based upon an application received from the Preston County PSD #4, WVDEP hereby awards a sub grant to the Preston County PSD #4 in the amount of $928,397.00 for the engineering design and oversight costs associated with this project. Construction costs, to be determined at a future date through approved bidding procedures, shall be added to this sub grant by amendment procedures established by the agency. The U.S. Department of the Interior, Office of Surface Mining awarded WVDEP the FY 2013 Abandoned Mine Lands Simplified Grant for this purpose. Such award may be terminated by WVDEP without further cause if the sub recipient fails to provide timely affirmation of the award by signing under the Affirmation of Award section and returning all pages of this agreement to the Sub Grant Unit listed below within 21 days after receipt. This agreement is subject to applicable federal and state statutory provisions, and all terms and grant conditions of this agreement plus the financial monitoring plan and work plan.

**AWARD APPROVAL OFFICE**

**ORGANIZATION / ADDRESS**

Randy C. Huffman, Cabinet Secretary
West Virginia Department of Environmental Protection
601 57th Street, S.E.
Charleston, WV 25304

| WVDEP Controller: | WVDEP Sub Grant Unit: | WVDEP (Project Manager): |
|---|---|---|
| WVDEP<br>Jean Sheppard, Controller<br>Office of Administration<br>601 57th Street, S.E.<br>Charleston, WV 25304<br>Phone: 304-926-0499 ext 1551 | WVDEP<br>Gary Rogers, ERS III<br>Office of Administration<br>601 57th Street, S.E.<br>Charleston, WV 25304<br>Phone: 304-926-0499 ext 1115 | WVDEP<br>Attn: Shelton Barger, Regional Engineer<br>Office of AML&R<br>101 Cambridge Place<br>Bridgeport, WV 26330<br>Phone: 304-842-1900 |

## WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION

| Signature of Award Official | Typed Name and Title | Date |
|---|---|---|
| Digital signature applied by WVDEP Award Official | Randy C. Huffman, Cabinet Secretary WVDEP | 07/25/13 |

## AFFIRMATION OF AWARD

**BY AND ON BEHALF OF THE DESIGNATED RECIPIENT ORGANIZATION**

| Signature | Typed Name and Title | Date |
|---|---|---|
| Robert A Bailey | Robert A. Bailey | 10/2/2013 |

west virginia department of environmental protection

Office of Abandoned Mine Lands
601 57th Street SE
Charleston, WV 25304
Telephone: (304) 926-0485
Fax: (304) 926-0458

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

November 7, 2011

Mr. Robert A. Bailey, Chairman
Preston County PSD #4
P.O. Box 370
Bruceton Mills, WV 26525

Re: Lenox/ Cuzzart Waterline Extension
AML ID#277

Dear Mr. Bailey:

The Office of Abandoned Mine Lands and Reclamation is pleased to inform you that approval is granted to commit funds to the Preston County PSD #4 Lenox/Cuzzart Waterline Extension. Based on the feasibility study conducted by Michael Baker Jr., Inc., the agency is able to fund 100% of construction costs for the waterline extension. In addition, AML will participate via a sub grant for the cost of design and construction oversight.

It will be your responsibility to inform the AML office of the progress made on your project. Grant funds for construction will not be assigned to a specific grant year until the project is ready to proceed. It is the agency's goal to utilize all of the money in each grant year for construction of projects that benefit the West Virginia citizens.

If you have any questions or would like to discuss the steps necessary to complete your particular project, please contact Jonathan Holbert, P.E. at 304-926-0499 ext. 1459.

Sincerely,

Eric J. Coberly, P.E., Chief
Office of Abandoned Mine Lands & Reclamation

Lenox Cuzzart
2011W-1241

dep

west virginia department of environmental protection

Division of Land Restoration
601 57th Street S.E.
Charleston, WV 25304
(304) 926-0455 Phone
(304) 926-0457 Fax

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

May 18, 2007

Mr. Robert Bailey, Chairman
Preston County PSD #4
P. O. Box 370
Bruceton Mills, West Virginia 26525

Re: Lenox/Cuzzart
Waterline Extension
ID# 277

Dear Mr. Bailey:

The Office of Abandoned Mine Lands and Reclamation is pleased to inform you that approval was granted at the May 18, 2007, meeting of the Water Supply Systems Advisory Council to commit funds to the Lenox/Cuzzart Waterline Extension project out of our 2009 grant year funding projection. Based on the feasibility study conducted by Michael Baker Jr., Inc., the agency is able to fund 100% of the project design and construction, which is estimated to be $6,865,750.00.

This commitment is made with the assumption that funding in the 2009 grant year remains at projected levels. Should funding be reduced, you will be notified of any necessary changes in the funding scenario.

Finally, should it become apparent that your project will not be ready to draw on our funds during the assigned grant year, your project will retain this commitment, but may be moved to a subsequent grant year. It is the agency's goal to utilize all of the money in each grant year for construction of projects that benefit the West Virginia citizens.

If you have any questions or would like to discuss the steps necessary to complete your particular project, please contact Cliff Whyte, P.E. at (304) 926-0499, Ext. 1474. We look forward to working with you in bringing this project to reality!

Sincerely,

Charles J. Miller

Charles J. Miller, Assistant Director
Office of Abandoned Mine Lands & Reclamation

CJM/cdw

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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

Writer's Contact Information

# CLOSING MEMORANDUM

To: Financing Team

From: John C. Stump, Esquire

Date: October 10, 2013

Re: Preston County Public Service District No. 4
17840 N. Preston Hwy, Bruceton Mills, WV 26525
Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund)

---

DISBURSEMENTS TO PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

A.

| | |
|---|---|
| Payor: | West Virginia Infrastructure Fund |
| Source: | Series 2013 A Bonds Proceeds |
| Amount: | $192,693.86 |
| Form: | Wire Transfer |
| Payee: | Preston County Public Service District No. 4 |
| Bank: | Clear Mountain Bank, 160 Morgantown St., Bruceton Mills, WV 26525 |
| Routing #: | 051502599 |
| Account #: | 1318896 |
| Contact: | Vicky Whetsell, 304.379.2265 |
| Account: | Series 2013 A Bonds Construction Trust Fund |

723800.00010

From: United Bank To: 13044248770 Wednesday, October 23, 11:11:18 2013

UNITED BANK
514 Market Street
Parkersburg, WV 26101-5144

OUTGOING WIRE TRANSFER FAX ADVICE

To: TRUST DEPT

In accordance with your instructions, we have DEBITED your account # **********5682.

Wire Amount: 192,693.86

Date & Time: 2013-10-23 00:00:00 at 11:10:28

Sender Name: UNITED BANK

Sender ABA: 051900395

Sender Reference: 131023110139T2SS

Sender Imad: 20131023E6B74K3C000028

Receiver Name: CLEAR MOUNTAIN BK

Receiver ABA: 051502599

* * *

Beneficiary: PRESTON CO PSD NO. 4

AC - **********5803

Beneficiary Bank:

-

* * *

Originator Information: TRUST DEPT

Originator Bank:

Originator Bank Information: SERIES 2012 CONST FUND

Bank to Bank and all other FRB info fields: {6500}ATTN: VICKY WHETSELL 304-379-2265*

* * *

Fax: 13044248770

**Preston County Public Service District No. 4**
**2011W-1241**
**(Lennox-Cuzzart Project)**

**RESOLUTION OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 APPROVING INVOICES RELATING TO PAYMENT LENNOX CUZZART WATER PROJECT AND AUTHORIZING PAYMENT THEREOF,**

**WHEREAS**, the Preston County Public Service District No. 4, has reviewed the invoices attached hereto and incorporated herein by reference relation to the Project funded by the West Virginia Infrastructure and Jobs Development Council (IJDC) and find as follows:

a) That none of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made.

b) That each item for which the payment is proposed to be paid is or was necessary in connection with the Project and constitutes a Cost of the project.

c) That each of such costs has been otherwise properly incurred.

d) That the payment for each of the items proposed is due and owing.

**NOW, THEREFOR, BE IT RESOLVED** Preston County Public Service District No. 4 by as follows: There is hereby authorized and directed the payment of the attached invoices as follows:

| Vendor | Total | IJDC Loan | AML |
|---|---|---|---|
| Stantec | 116,650.00 | 50,000.00 | 66,650.00 |
| Griffith & Associates | 22,418.86 | 22,418.86 | 0.00 |
| Huntington Bank (Registrar) | 500.00 | 500.00 | 0.00 |
| Steptoe & Johnson | 18,500.00 | 18,500.00 | 0.00 |
| Preston County PSD #4 | 5,395.00 | 5,395.00 | 0.00 |
| PCEDA | 25,000.00 | 25,000.00 | 0.00 |
| James Kelsh | 25,000.00 | 25,000.00 | 0.00 |
| Bowles Rice | 10,000.00 | 10,000.00 | 0.00 |
| Lands & ROWs | 35,880.00 | 35,880.00 | 0.00 |
| Total | 259,343.86 | 192,693.86 | 66,650.00 |

**ADOPTED BY the Preston County Public Service District No. 4**, at the meeting held on the 16th day of October, 2013

Preston County Public Service District No. 4

By: Robert A Barley

Its: Chairman

723800.00010

State of West Virginia
WATER DEVELOPMENT AUTHORITY
1009 Bullitt Street, Charleston, WV 25301
(304)414-6500 – (304)414-0865 (Fax)
Internet: www.wvwda.org – Email: contact@wvwda.org

Date 10/22/13 Time 1:30 LGA Preston Co #4 Program IJDC

| NAME | COMPANY, AGENCY, OR ORGANIZATION | TELEPHONE | FAX | E-MAIL |
|---|---|---|---|---|
| Sheila Miller | WDA | 304-414-6500 | 304-414-0865 | smiller@wvwda.org |
| Sammie Lee | Jackson Kelly PLLC | 304 340 1318 | 304 340 1272 | slee@jacksonkelly.com |
| John Stump | Steptoe & Johnson PLLC | 304.353.8196 | 304.353.8181 | john.stump@steptoe-johnson.com |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

The Authority requests that they 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 Robert "Al" Bailey Chairman Telephone 304.379.3130 E-Mail ——

Address 17840 North Preston Hwy, Bruceton Mills, WV 26525

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.

# SWEEP RESOLUTION

**WHEREAS**, Preston County Public Service District No. 4 (the "Issuer") is a governmental body and political subdivision of West Virginia;

**WHEREAS**, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

**WHEREAS**, the Issuer makes monthly debt service payments on the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

**WHEREAS**, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

**WHEREAS,** PURSUANT TO Chapter 13, Article 3, Section 5a, the MBC has established fees for its services (the "MBC Fee");

**WHEREAS**, the Issuer find and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic transfer with the State Treasurer **sweeping** the Issuer's account.

**NOW THEREFORE BE IT RESOLVED AS FOLLOWS:**

1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, along with the MBC fee, shall be made to the MBC by electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.

2) The Chairman and Secretary are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.

3) This resolution shall be effective immediately upon adoption.

Adopted this 16th day of October, 2013.

Robert A Bailey
Chairman

James R. Summers
Secretary

USDA
United States Department of Agriculture

Rural Development

West Virginia State Office

1550 Earl Core Road,
Suite 101
Morgantown, WV
26505

Voice 304.284.4860
1.800.295.8228
Fax 304.284.4893

October 23, 2013

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture, the present holder of the Prior Bonds, hereinafter defined and described, hereby (a) consents to the issuance of the Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund), in the original aggregate principal amount of $290,500 (the "Bonds"), by the Preston County Public Service District No. 4 (the "Issuer"), under the terms of the bond resolution authorizing the issuance of the Bonds (the "Resolution"), on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding (i) Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000, and (ii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Prior Bonds"); and (b) waives any requirements imposed by the Prior Bonds or the resolution authorizing the Prior Bonds (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds or the Resolution; and (c) consents to any amendments made to the Prior Resolution by the Resolution.

WITNESSETH my signature on this 23rd day of October, 2013.

State Director

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

WEST VIRGINIA
Water Development Authority
Celebrating 39 Years of Service 1974 - 2013

October 23, 2013

Preston County Public Service District No. 4
Water Revenue Bonds, Series 2013 A
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

In reliance upon a certificate of Griffith & Associates, an independent certified public accountant, and an opinion of Steptoe & Johnson PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2013 A (West Virginia Infrastructure Fund) (the "Bonds"), in the original aggregate principal amount of $290,500 by the Preston County Public Service District No. 4 (the "Issuer"), under the terms of the bond resolution authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's: (i) Water Revenue Bonds, Series 1997 A, dated November 7, 1997, issued in the original aggregate principal amount of $290,000; (ii) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000; and (iii) Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), dated November 21, 2012, issued in the original aggregate principal amount of $3,903,853 (collectively, the "Prior Bonds").

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Sheila A. Miller
Authorized Representative

723800.00010

1009 Bullitt Street, Charleston, WV 25301
Phone (304) 414-6500 / fax (304)414-0865
www.wvwda.org

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bond, Series 1987

BOND RESOLUTION

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09/10/87
PRES2-E

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

RESOLUTION AUTHORIZING THE ISSUANCE OF $370,000 WATER REVENUE BOND, SERIES 1987, OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 TO FINANCE ACQUISITION AND CONSTRUCTION OF A NEW WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

## ARTICLE I

## STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution is adopted pursuant to the provisions of Article 13A, Chapter 16 of the West Virginia Code (the "Act") and other applicable provisions of law. Preston County Public Service District No. 4 (the "Issuer") is a public service district created pursuant to the Act by The County Commission of Preston County.

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

A. The Issuer does not now have a public water system.

B. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed a new water system of the Issuer consisting of new wells and pumps, two booster stations, two 100,000 gallon capacity storage facilities and 60,000 lineal feet of 6 and 4-inch water lines, with all necessary appurtenant facilities (the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Secretary of the Public Service Board (the "Governing Body") of the Issuer. Water will be purchased from the Town of Bruceton Mills pursuant to a Water Purchase Contract between the Issuer and the Town of Bruceton Mills.

The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue bond in the principal amount of $370,000 to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided.

D. The estimated maximum cost of the acquisition and construction of the Project is $1,537,400 of which $370,000 will be obtained from the proceeds of sale of the Bond herein authorized, $619,600 from a grant by the Purchaser and $547,800 from a Small Cities Block Grant of the Department of Housing and Urban Development.

E. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond prior to, during and for 6 months after completion of such construction to the extent that revenues of the System (hereinafter defined) are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

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

G. There are not outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge or source of and security for payment.

H. The Issuer has complied with all requirements of law relating to the authorization of the acquisition, construction and operation of the Project, including without limitation the imposition of rates and charges and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the consent and approval, pursuant to the Act and other applicable provisions of law, of the issuance of the Bond, the acquisition and construction of the Project and the imposition of rates and charges by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, this

Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Purchaser as holder of the Bond.

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

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

"Bond" or "Bonds" means the Water Revenue Bond, Series 1987, authorized hereby.

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

"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.

"Closing Date" means the date upon which there is an exchange of the Bond for the proceeds representing the purchase of the Bond by the Purchaser, as the first purchaser of the Bond.

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

"Consulting Engineer" means Thrasher Engineering, Inc., Clarksburg, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

"Excess Investment Earnings" means an amount equal to the sum of:

(A) The excess of

(i) The aggregate amount earned from the Closing Date on all Nonpurpose Investments in which Gross Proceeds of the Bond are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Bond, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the Public Service Board of the Issuer.

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

"Gross Proceeds" means the sum of the following amounts:

(i) Original proceeds, namely, net amounts received by or for the Issuer as a result of the sale of the Bond, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the investment of any original proceeds (as

referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bond;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are deemed to become proceeds of the Bond ratably as original proceeds of the Bond, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds (as referenced in clauses (i) through (iii) above) of the Bond, which are held in any fund to the extent that the Issuer reasonably expects to use such fund to pay Debt Service;

(v) Amounts in the Reserve Fund and in any other fund established as a reasonably required reserve or replacement fund;

(vi) Investment Property pledged as security for payment of Debt Service on the Bond by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Bond; and

(viii) Amounts received as a result of investing amounts described in this definition.

"Herein" means in this Bond Legislation.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes.

"Issuer" means Preston County Public Service District No. 4 of Preston County, West Virginia, and includes the Governing Body.

"Net Proceeds," when used with reference to the Bond, means the face amount of the Bond, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Reserve Fund.

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

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bond and into the Reserve Fund and the Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" shall have the meaning stated in Section 1.02B above.

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

"Purchaser" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

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

(a) Government Obligations;

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

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

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

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

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

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

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

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

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

"Registrar" means the Issuer, which shall usually so act by its Secretary.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Secretary" means the Secretary of the Governing Body.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bond produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bond, all computed as prescribed in applicable Regulations.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

## ARTICLE II

## AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 2.01. Authorization of Bond. Subject and pursuant to the provisions of this Resolution, the Bond of the Issuer, to be known as "Water Revenue Bond, Series 1987," is hereby authorized to be issued in the aggregate principal amount of not exceeding $370,000 for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 2.02. Description of Bond. The Bond shall be issued in single form, No. R-1, only as a fully registered Bond, and shall be dated the date of delivery. The Bond shall bear interest from date, payable monthly at the rate of 5% per annum and shall be sold for the par value thereof.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 2.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Bond shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Bond, and the right to the principal of, and stated interest on, the Bond, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 2.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interests in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Legislation.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 2.04. Registrar. The Registrar will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of 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.

Section 2.05. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Chairman and its corporate seal shall be affixed thereto and attested by the Secretary.

Section 2.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 2.07. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured forthwith 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 Bond, and to make the payments as hereinafter provided, are hereby

irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 2.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(Form of Bond)

WATER REVENUE BOND, SERIES 1987

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

$370,000

No. R-1 Date: _____

FOR VALUE RECEIVED, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (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 (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 THREE HUNDRED SEVENTY THOUSAND DOLLARS ($370,000) plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $1,817, 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 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 which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond

does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution herein defined, 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 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, Article 13A of Chapter 16 of the West Virginia Code and a Resolution of the Borrower authorizing issuance of this Bond (the "Resolution").

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

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

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Route 1, Box 133
(P. O. Box No. or Street Address)

Albright, West Virginia 26519
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

| | AMOUNT | DATE | | AMOUNT | DATE |
|---|---|---|---|---|---|
| (1) | $ | | (6) | $ | |
| (2) | $ | | (7) | $ | |
| (3) | $ | | (8) | $ | |
| (4) | $ | | (9) | $ | |
| (5) | $ | | (10) | $ | |
| | | | TOTAL | $ | |

(Form of)

ASSIGNMENT

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

_____
(Title)

## ARTICLE III

## BOND PROCEEDS; REVENUES AND APPLICATION THEREOF; FUNDS AND ACCOUNTS; REBATE

Section 3.01. Bond Proceeds; Project Construction Account. The proceeds of sale of the Bond shall be deposited on receipt by the Issuer in the Bruceton Bank, Bruceton Mills, West Virginia, a member of Federal Deposit Insurance Corporation (the "FDIC"), in a special account hereby created and designated as "Preston County Public Service District No. 4 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 Issuer solely for the purposes provided herein.

Amounts in the Project Construction Account shall be disbursed for the financing of costs of the Project upon filing in the official records pertaining to such account of a certificate of the Issuer describing such disbursement, setting forth the portion, if any, of the Net Proceeds of the Bond to be used for a Private Business Use or to make or finance a loan (other than a loan constituting a Nonpurpose Investment) to other than a state or local governmental unit and certifying that there has been compliance with the provisions of Section 4.16 hereof relating to the Private Business Use limitation and the private loan limitation. Investment earnings and profits on the Project Construction Account shall be transferred to the Earnings Fund upon receipt thereof as provided in Section 3.03 hereof. Amounts, if any, remaining in the Project Construction Account shall, upon receipt from the Issuer certifying that no further amounts are required to be disbursed for costs and expenses of the Project, be invested at a Yield not in excess of the Yield of the Bond and shall be used for redemption of the Bond (or a portion thereof) on the interest payment date next succeeding the date and the Project Construction Account shall be closed.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 3.01, moneys and funds in the Project Construction Account shall be

invested and reinvested to the extent possible in accordance with applicable law in Qualified Investments at the direction of the Issuer, subject, however, to the provisions of Section 3.03 and Section 4.15 hereof.

Section 3.02. Covenants of the Issuer as to Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund hereinafter established, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all tap fees received, shall be deposited as collected by the Issuer in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund," is hereby established initially with the Bank named in Section 3.01. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, on or before the due date of payment of each installment on the Bond, transfer from the Revenue Fund and pay to the National Finance Office designated in the Bond the amount required to pay the interest on the Bond, and to amortize the principal of the Bond over the life of the Bond issue.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and deposit with the said Bank in the Reserve Fund hereby initially established with said Bank (the "Reserve Fund"), 1/12th of 1/10th of the amount of principal and interest becoming due on the Bond in any year until the amount in the Reserve Fund equals $21,804, but in no event to exceed 10% of the proceeds of the Bond, such sum being herein called the "Minimum Reserve." After the Minimum Reserve has been accumulated in the Reserve Fund, the Issuer shall monthly deposit into the Reserve

Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bond and for payment of operating expenses of the System, as shall be required to maintain the Minimum Reserve in the Reserve Fund. Moneys in the Reserve Fund not required to be transferred to the Earnings Fund (hereinafter described) pursuant to Section 3.03 hereof shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bond to said National Finance Office as the same shall become due or for prepayment of installments on the Bond, or for mandatory prepayment of the Bond as hereinafter provided, and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve, hereby initially established with said Bank, the moneys remaining in the Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Depreciation Reserve the aggregate sum of $76,870, and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve, other than any sum or sums required to be transferred to the Earnings Fund, shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bond as the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve, other than any such sum or sums required to be transferred to the Earnings Fund, may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay portions of the principal amount of the Bond or for any lawful purpose.

Whenever the moneys in the Reserve Fund (other than moneys required to be transferred to the Earnings Fund pursuant to Section 3.03 hereof) shall be sufficient to prepay the Bond in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bond at the earliest practical date and in accordance with applicable provisions hereof.

The aforesaid Bank (and any successor appointed by the Issuer) is hereby designated as the Fiscal Agent for the administration of the Reserve Fund, the Depreciation Reserve, the Earnings Fund and the Rebate Fund (hereinafter described) as herein provided, and all amounts required for the Reserve Fund and Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section and the Earnings Fund, except with respect to Excess Investment Earnings in the Earnings Fund which shall be held for rebate to the United States free from any such lien or trust, shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon (other than such Excess Investment Earnings as aforesaid) for further securing payment of the Bond and the interest thereon, but the aforesaid Bank shall not be a trustee as to such funds. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

If on any payment date the revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Fiscal Agent, at the direction of the Issuer, shall keep the moneys in the Reserve Fund, the Depreciation Reserve, the Earnings Fund and the Rebate Fund invested and reinvested to the fullest extent possible in accordance with applicable law and practicable, in Qualified Investments having maturities consonant with the required use thereof, subject to the provisions of Sections 3.03 and 4.15 hereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to

the appropriate fund, except as otherwise provided in Section 3.03 hereof.

C. CHANGE OF FISCAL AGENT. The Issuer may designate another bank insured by FDIC as Fiscal Agent if the aforesaid Bank should cease for any reason to serve or if the Governing Body determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, obtain signed user agreements from at least 243 bona fide full time users initially upon the System, in full compliance with the requirements and conditions of the Purchaser.

Section 3.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held with the Bank designated in Section 3.01 hereof, as separate funds distinct from all other funds and accounts held by the Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds and accounts held by the Issuer or otherwise shall, upon receipt, be paid to the Bank for deposit in the Earnings Fund. Annually, on the last day of each Bond Year or on the preceding business day in the event that such last day is not a business day, the Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 30 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Purchaser and Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 30 days following the last day of each Bond Year and within 30 days following the date of the retirement of the Bond, the Issuer shall calculate, and shall provide written notice to the Purchaser and Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause A(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bond in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bond shall be determined based on the actual Yield of the Bond during the period between the Closing Date of the Bond and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bond, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNITED STATES. The Issuer shall direct the Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close of the computation period. Not later than 60 days after the retirement of the Bond, the Issuer shall direct the Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the Issuer. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

E. FURTHER OBLIGATION OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value.

In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bond, records of the determinations made pursuant to this Section 3.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 3.03, the Issuer and the Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer or the Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bond, as may be necessary in order to fully comply with Section 148(f) of the Code. Additionally, in the event of a failure to pay to the United States any amount required under Section 148(f) of the Code, the Issuer will pay to the United States a penalty in an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived.

## ARTICLE IV

## GENERAL COVENANTS, ETC.

Section 4.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund (other than sums required to be transferred to the Earnings Fund) a sum sufficient to prepay the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 4.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide Revenues in each Fiscal Year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bond and sufficient to make the payments required herein into the Reserve Fund and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such Fiscal Year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate Revenues for such purposes.

Section 4.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bond is outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 4.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of the revenues of the System shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser.

Section 4.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the

Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bond.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Worker's Compensation Coverage for all Employees of the District Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed

with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Worker's compensation coverage will be maintained as provided by law.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount of $30,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

(f) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 4.06. Statutory Mortgage. For the further protection of the holder of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Bond.

Section 4.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment upon the Bond at the date specified for payment thereof;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on

the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law.

Section 4.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 4.09. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than ten per centum; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 4.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 4.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 4.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 4.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bond is outstanding.

Section 4.14. No Competition. The Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 4.15. Arbitrage. The Issuer shall not take, or permit or suffer to be taken, any action with respect to the Gross Proceeds of the Bond which would cause the Bond to be an "arbitrage

bond" within the meaning of Section 148 of the Code and Regulations promulgated thereunder.

Section 4.16. 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 Bond is 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 Bond during the term thereof is, under the terms of the Bond 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 Bond 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 Bond during the term thereof is, under the terms of the Bond 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 Bond 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 Bond is for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related.

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

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the exemption from taxation of the interest on the Bond, including

without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Bond 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 which would adversely affect such exclusion.

## ARTICLE V

## RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in the Final Orders of the Public Service Commission of West Virginia, entered on September 24, 1987, as modified by Commission Order on Petition for Reconsideration entered on September 29, 1987, in Case No. 87-554-W-CN, which orders are incorporated herein by reference as a part hereof.

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

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

D. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

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

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

## ARTICLE VI

## MISCELLANEOUS

Section 6.01. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without prior written consent of the Purchaser, except that no consent from the Purchaser shall be required to make such additions, deletions or modifications as may be necessary to assure compliance with Section 148(f) of the Code relating to required rebate of Excess Investment Earnings to the United States or otherwise as may be necessary to assure the exemption from federal income taxation of interest on the Bond.

Section 6.02. Delivery of Bond No. R-1. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 6.03. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 6.04. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 6.05. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 6.06. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: October 1, 1987.

Paul C Liston
Chairman of Public Service Board

Edwin P Liston
Member

Robert H Bailey
Member

09/30/87
PRES2-D

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

AMENDATORY RESOLUTION

RESOLUTION AMENDING THE RESOLUTION OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 ENTITLED:

> RESOLUTION AUTHORIZING THE ISSUANCE OF $370,000 WATER REVENUE BOND, SERIES 1987, OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 TO FINANCE ACQUISITION AND CONSTRUCTION OF A NEW WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

TO INCLUDE CERTAIN ADDITIONS AND MODIFICATIONS NECESSARY TO ASSURE THE EXEMPTION FROM FEDERAL INCOME TAXATION OF INTEREST ON THE WATER REVENUE BOND, SERIES 1987, OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND CERTAIN OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the public service board (the "Governing Body") of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (the "Issuer"), has duly and officially adopted a resolution effective October 1, 1987 (the "Bond Resolution"), entitled:

> RESOLUTION AUTHORIZING THE ISSUANCE OF $370,000 WATER REVENUE BOND, SERIES 1987, OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 TO FINANCE ACQUISITION AND CONSTRUCTION OF A NEW WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

WHEREAS, the Bond Resolution provides for the issuance of the Water Revenue Bond, Series 1987, of the Issuer (the "Bond"), in an aggregate principal amount of not to exceed $370,000, all in accordance with West Virginia Code, Chapter 16, Article 13A (the "Act"); and in the Bond Resolution, it is provided that the Bond

Resolution would be modified and/or amended to make such additions, deletions or modifications as may be necessary to assure the exemption from federal income taxation of interest on the Bond, which amendments are authorized without the consent of the United States Department of Agriculture, Farmers Home Administration (the "Purchaser");

WHEREAS, the Bond is proposed to be purchased by the Purchaser, and certain changes in Sections 103, 141, 148 and 149 of the Internal Revenue Code of 1986, as amended, have been effected and are contemplated;

WHEREAS, the Governing Body deems it essential, necessary and desirable that this amendatory resolution (the "Amendatory Resolution") be adopted and the Bond Resolution be amended, modified and supplemented hereby to assure the exemption from federal income taxation of interest on the Bond;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PRESTON COUNTY PUBLIC SERVICE NO. 4 DISTRICT:

Section 1. Pursuant to the Bond Resolution, the Act and other applicable provisions of law, this Amendatory Resolution is adopted.

Section 2. The definition of the term "Investment Property" in Section 1.04 of the Bond Resolution is hereby amended to read as follows, with the new language underlined:

> "Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes <u>other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code</u>.

Section 3. The definition of the term "Net Proceeds" in Section 1.04 of the Bond Resolution is hereby amended by adding the following sentence to the end of such definition:

> For purposes of the Private Business Use limitations set forth in this Bond Legislation, the term Net Proceeds includes amounts resulting from the investment of proceeds

of the Bond, without regard to whether or not such investment is made in tax-exempt obligations.

Section 4. The definition of the term "Private Business Use" in Section 1.04 of the Bond Resolution is hereby amended to read as follows, with the new language underlined:

> "Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

Section 5. Section 2.04 of the Bond Resolution is hereby amended to read as follows, with the new language underlined:

> Section 2.04. Registrar. The Registrar will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.
>
> The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of 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.

Section 6. The twelfth paragraphs of the Bond form set forth in the Bond Resolution and the Bond are hereby amended to read as follows, with the new language underlined:

> 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, and a resolution of the Borrower authorizing issuance of this Bond and a resolution amendatory thereof (collectively, the "Resolution").

Section 7. The second paragraph of Section 3.01 of the Bond Resolution is hereby amended to read as follows, with the deleted language struck out and the new language underlined:

> Amounts in the Project Construction Account shall be disbursed for ~~the financing of~~ costs of the Project upon filing in the official records pertaining to such account of a certificate of the Issuer describing such disbursement, setting forth the portion, if any, of the Net Proceeds of the Bond to be used for a Private Business Use or to make or finance a loan (other than a loan constituting a Nonpurpose Investment) to other than a state or local governmental unit and certifying that there has been compliance with the provisions of Section 4.16 hereof relating to the Private Business Use limitation and the private loan limitation. Investment earnings and profits on Nonpurpose Investments of Gross Proceeds of the Bond in the Project Construction Account shall be transferred to the Earnings Fund (hereinafter defined) upon receipt thereof as provided in Section 3.03 hereof. Amounts, if any, remaining in the Project Construction Account shall, upon receipt from the Issuer of a certificate certifying that no further amounts are required to be disbursed for costs and expenses of the Project, be invested at a Yield not in excess of the Yield of the Bond and shall be transferred and used for redemption of the Bond (or a portion thereof) on the interest payment date next succeeding the date and the Project Construction Account shall be closed.

Section 8. The first clause of Section 3.02B of the Bond Resolution is hereby amended to read as follows, with the new language underlined:

> B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of

only in the following order and priority, subject to the provisions of Section 3.03 of the Bond Legislation:

Section 9. The second and fourth paragraphs of Section 3.02B on page 22 of the Bond Resolution are hereby amended to read as follows, with the deleted language struck out and the new language underlined:

All the funds provided for in this Section and the Earnings Fund, except with respect to Excess Investment Earnings in the Earnings Fund which shall be held for rebate to the United States free from any such lien or trust, shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon (other than such Excess Investment Earnings as aforesaid) for further securing payment of the Bond and the interest thereon, but the aforesaid Bank shall not be a trustee as to such funds or the Rebate Fund. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

The Fiscal Agent, at the direction of the Issuer, shall keep the moneys in the Reserve Fund, the Depreciation Reserve, the Earnings Fund and the Rebate Fund invested and reinvested to the fullest extent possible in accordance with applicable law and practicable, in Qualified Investments having maturities consonant with the required use thereof, subject to the provisions of Sections 3.03 and 4.15 hereof, except that moneys held in the Earnings Fund and Rebate Fund shall only be invested in Government Obligations. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund, except as otherwise provided in Section 3.03 ~~hereof~~ of this Bond Legislation.

Section 10. Section 3.03A of the Bond Resolution is hereby amended to read as follows, with the deleted language struck out and the new language underlined:

Section 3.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held with the Bank designated in Section 3.01 hereof, as separate funds distinct from all other funds and accounts held by the Bank under this Bond Legislation, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts provided for and/or established under this Bond Legislation, other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, except interest earnings and profits on the Earnings Fund, which shall be retained therein until applied as herein set forth, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds and accounts held by the Issuer or otherwise shall, upon receipt, be paid to the Bank for deposit in the Earnings Fund. Annually, on ~~the last day~~ or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required by the Code and Regulations, the Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Bank shall transfer all amounts remaining in the Earnings Fund to be used for the payment of Debt Service on the next interest payment date and for such purpose, Debt Service due from the Issuer on such date shall be credited by an amount equal to the amount so transferred.

Section 11. Section 3.03E of the Bond Resolution is hereby amended to read as follows, with the new language underlined:

E. FURTHER OBLIGATION OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section and except as otherwise required under the Code and Regulations. To that end the Issuer shall assure that investment

transactions are on an arm's length basis and that Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect.

Section 12. Section 4.16A of the Bond Resolution is hereby amended by adding the following sentence to the end of such Section:

All of the foregoing shall be determined in accordance with the Code.

Section 13. Sections 4.16D and E of the Bond Resolution are hereby amended to read as follows, with the new language underlined:

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the exemption from taxation of the interest on the Bond, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Bond 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 the result of which would adversely affect such exclusion.

Section 14. The Chairman, Secretary and other officers or members of the Governing Body are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bond hereby and by the Bond Resolution approved and provided for, to the end that the Bond may be delivered on or about May 11, 1988, to the Purchaser.

Section 15. It is hereby found and determined that this Amendatory Resolution is necessary to assure the exemption from federal income taxation of interest on the Bond and does not require the consent of the Purchaser.

Section 16. The financing of the Project by the Bond is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 17. If any provision of this Amendatory Resolution shall be held invalid, such invalidity shall not affect the remaining provisions of this Amendatory Resolution.

Section 18. This Amendatory Resolution shall be effective immediately following adoption hereof, is amendatory of and supplemental to the Bond Resolution, and in consideration of the acceptance of the Bond by the Purchaser shall be deemed to be and constitute part of the contract between the Issuer and such Purchaser.

Section 19. Except as expressly amended or modified hereby, the Bond Resolution shall continue and remain in full force and effect as adopted and the Bond Resolution, to the extent not amended or modified by this Amendatory Resolution, and all actions heretofore taken pursuant to the Bond Resolution, are hereby ratified, approved and confirmed.

Adopted this 11th day of May, 1988.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Paul C. Liston
Chairman

Robert A Bailey
Member

Edwin L Liston
Member

05/03/88
PRES1-Q

(SPECIMEN BOND)

WATER REVENUE BOND, SERIES 1987

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

$370,000

No. R-1 Date: _____

FOR VALUE RECEIVED, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (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 (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 THREE HUNDRED SEVENTY THOUSAND DOLLARS ($370,000) plus interest on the unpaid principal balance at the rate of 5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $1,817, 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 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 which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond

does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Borrower, as Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution herein defined, 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 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, Article 13A of Chapter 16 of the West Virginia Code, and a resolution of the Borrower authorizing issuance of this Bond and a resolution amendatory thereof (collectively, the "Resolution").

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

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

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

[CORPORATE SEAL]

_____
Chairman, Public Service Board

Route 1, Box 133
Albright, West Virginia 26519

ATTEST:

_____
Secretary, Public Service Board

RECORD OF ADVANCES

| | AMOUNT | DATE | | AMOUNT | DATE |
|---|---|---|---|---|---|
| (1) | $ | | (6) | $ | |
| (2) | $ | | (7) | $ | |
| (3) | $ | | (8) | $ | |
| (4) | $ | | (9) | $ | |
| (5) | $ | | (10) | $ | |
| | | | TOTAL | $ | |

ASSIGNMENT

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____
Its _____

05/03/88
PRES1-S

# PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

## WATER REVENUE BONDS, SERIES 1997 A
## (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)
## AND SERIES 1997 B
## (UNITED STATES DEPARTMENT OF AGRICULTURE)

## BOND RESOLUTION

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PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO THE SERIES 1997 A 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 PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

## ARTICLE I

## STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. Preston County Public Service District No. 4 (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Preston County of said State.

B. The Issuer presently owns a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public waterworks system of the Issuer, including a new water storage tank, water mains and a booster pump, together with all appurtenant facilities (collectively, the "Project") (the existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System and the principal of and interest on the Bonds, and to make payments into all funds and accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), in the aggregate principal amount of not more than $290,000 (the "Series 1997 A Bonds"), and Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), in the aggregate principal amount of not more than $800,000 (the "Series 1997 B Bonds") (collectively, the "Series 1997 Bonds"), to permanently finance the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1997 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, 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 1997 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 1997 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 1997 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by the Supplemental Resolution of the Issuer, and its Series 1997 B Bonds be sold to the Government (as hereinafter defined), pursuant to the terms and provisions of a Letter of Conditions (as hereinafter defined).

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 1997 Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water Revenue Bond, Series 1987 (the "Prior Bonds"), dated May 11, 1988, issued in the original aggregate principal amount of $370,000, pursuant to a resolution adopted by the Issuer on October 1, 1987, and an amendatory resolution adopted by the Issuer on May 11, 1988 (collectively, the "Prior Resolution"). The Issuer has met the parity test requirements of the Prior Bonds and the Prior Resolution and has obtained the consent of the Holders of the Prior Bonds to the issuance of the Series 1997 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

H. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1997 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1997 Bonds or such final order will not be subject to appeal or rehearing.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1997 Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1997 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1997 A Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

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

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

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

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

"Bonds" means, collectively, the Series 1997 Bonds and where appropriate, the Prior Bonds, and any bonds on a parity with the Series 1997 Bonds subsequently issued hereunder or pursuant to another resolution of the Issuer.

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

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

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

"Consulting Engineers" means Thrasher Engineering, Inc., Clarksburg, West Virginia, or any engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions.

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

"Depreciation Reserve" means the Depreciation Reserve established by the Prior Resolution and continued hereby.

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

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

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

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

"Government" or "Purchaser" 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 1997 B Bonds.

"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 any Grant received by the Issuer for the Project.

"Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with generally accepted accounting principles.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved

housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Preston County Public Service District No. 4, a public service district, a public corporation and a political subdivision of the State of West Virginia, in Preston County of said State 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 Government dated April 1, 1996, and all amendments thereto.

"Loan Agreement" means the Loan Agreement to be entered into between the Authority and the Issuer, providing for the purchase of the Series 1997 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1997 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1997 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1997 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1997 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1997 A Bonds.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed 1/6th of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that all monthly amortization payments upon the Bonds and into the Reserve Accounts and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

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

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

"Paying Agent" means the Commission or other entity designated as such for the Series 1997 A Bonds in the Supplemental Resolution.

"Prior Bonds" means the Issuer's Water Revenue Bond, Series 1987, as described in Section 1.02G hereof.

"Prior Resolution" means, collectively, the resolution of the Issuer adopted October 1, 1987, and the amendatory resolution of the Issuer adopted May 11, 1988, authorizing the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the 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 State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

"Registrar" means the Bond Registrar.

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

"Reserve Accounts" means, collectively, the Series 1987 Bonds Reserve Account, the Series 1997 A Bonds Reserve Account and the Series 1997 B Bonds Reserve Account.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Series 1987 Bonds Reserve Account, the Series 1997 A Bonds Reserve Account and the Series 1997 B Bonds Reserve Account.

"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 1987 Bonds Reserve Account" means the Reserve Fund established for the Prior Bonds and continued hereby.

"Series 1997 Bonds" means, collectively, the Series 1997 A Bonds and the Series 1997 B Bonds.

"Series 1997 A Bonds" means the not more than $290,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), of the Issuer, authorized by this Resolution.

"Series 1997 A Bonds Construction Trust Fund" means the Series 1997 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1997 A Bonds Reserve Account" means the Series 1997 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 1997 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 1997 A Bonds in the then current or any succeeding year.

"Series 1997 A Bonds Sinking Fund" means the Series 1997 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1997 B Bonds" means the not more than $800,000 in aggregate principal amount of Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 1997 B Bonds Construction Trust Fund means the Series 1997 B Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 1997 B Bonds Reserve Account" means the Series 1997 B Bonds Reserve Account established by Section 5.01 hereof.

"Series 1997 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 1997 B Bonds in the then current or any succeeding year.

"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 1997 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1997 Bonds, and not so included, may be included in another Supplemental Resolution.

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

"System" means the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for said system from any sources whatsoever.

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

## ARTICLE II

## AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

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 $3,200,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1997 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority and the Government.

The cost of the Project is estimated to be $3,200,000, of which $290,000 will be obtained from proceeds of the Series 1997 A Bonds, $800,000 will be obtained from proceeds of the Series 1997 B Bonds, $200,000 will be obtained from a grant by the Government, $750,000 will be obtained from a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and $1,160,000 will be obtained from a grant by the United States Department of Commerce, Economic Development Administration.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1997 Bonds, funding a reserve account for the Series 1997 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1997 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1997 Bonds of the Issuer. The Series 1997 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority)," in the principal amount of not more than $290,000, and "Water Revenue Bonds, Series 1997 B (United States Department of Agriculture)," in the principal amount of not more than $800,000, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1997 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest on the Series 1997 Bonds, if any, shall be deposited in or credited to the respective Bond Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 1997 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 semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1997 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 1997 A Bonds shall be paid by check or draft of the Paying Agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

B. The Series 1997 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 subject to prepayment of the scheduled monthly installments, or any portion thereof, at the option of the Issuer, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 1997 B Bonds.

Unless otherwise provided by the Supplemental Resolution, the Series 1997 Bonds shall be issued in the form of a single bond for each series, with the Series 1997 A Bonds fully registered to the Authority and the Series 1997 B Bonds fully registered to the Government. The Series 1997 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 Authority nor the Government shall be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 1997 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1997 Bonds shall cease to be such officer of the Issuer before the Series 1997 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1997 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. A. The Bond Registrar for the Series 1997 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 1997 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 Series 1997 A Bond shall be conclusive evidence that such Series 1997 A Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1997 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 Series 1997 A Bonds issued hereunder. The provisions of this Section 3.04A relating to authentication shall not apply to the Series 1997 B Bonds, notwithstanding anything herein to the contrary.

B. The Issuer shall be the Bond Registrar with respect to the Series 1997 B Bonds and will keep, or cause to be kept, at its office, sufficient books for the registration and transfer of the Series 1997 B Bonds, and, upon presentation for such purpose, the Issuer shall, under such reasonable regulations as it may prescribe, register the Series 1997 B Bonds initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Series 1997 B Bonds as hereinafter provided.

The Issuer shall accept the Series 1997 B Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Government, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 1997 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 1997 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 Federal Building, Room 320, 75 High Street, Morgantown, West Virginia 26505-7500 or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1997 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1997 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Bonds remain outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions

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

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1997 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No Holder or Holders of the Series 1997 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 1997 A Bonds and the Series 1997 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the 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. The Issuer shall execute and deliver the Series 1997 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1997 A 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 1997 A 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 1997 A 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 1997 A Bonds.

B. With respect to the Series 1997 B Bonds, the Chairman is hereby authorized and directed to cause the Series 1997 B Bonds, hereby awarded to the Government pursuant to prior agreement, to be delivered to the Government as soon as the Government will accept such delivery.

Section 3.10. Form of Bonds. The text of the Series 1997 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 1997 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 1997 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in installments on October 1 of each year, beginning October 1, 199___, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199__. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 199___.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199__, and a Supplemental Resolution duly adopted by the Issuer on _____, 199__ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1987, DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "PRIOR BONDS"), AND (2) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1997 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable

expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds and the Series 1997 B Bonds; provided however, that so long as there exists in the Series 1997 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Prior Bonds and the Series 1997 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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

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

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

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated _____, 199__.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL ASSOCIATION, as Registrar

_____

Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 1997 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 1997 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-____ $_____

FOR VALUE RECEIVED, the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ _____ DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the 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 construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation, nor shall the Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at said office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the

charges, if any, provided in the herein defined Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond is issued under the authority of 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 of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Borrower on _____, 199__, and a Supplemental Resolution duly adopted by the Borrower on _____, 199__ (collectively, the "Resolution").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the 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 BOND, SERIES 1987, DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "PRIOR BONDS"), AND (2) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1997 A BONDS").

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, and has caused this Bond to be dated _____, 19_____.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman
(Title of Executive Official)

Route 2, Box 350
(P. O. Box No. or Street Address)

Albright, West Virginia 26519
(City, State and Zip Code)

ATTEST:

_____
(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

(Form of)

RECORD OF ADVANCES

| | AMOUNT | DATE | | AMOUNT | DATE |
|---|---|---|---|---|---|
| (1) | $ | | (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

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. A. The Series 1997 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

B. The Series 1997 B Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions.

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

## ARTICLE IV

[RESERVED]

## ARTICLE V

## 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) Series 1987 Bonds Reserve Account (established by the Prior Resolution);

(3) Depreciation Reserve (established by the Prior Resolution);

(4) Series 1997 A Bonds Construction Trust Fund;

(5) Series 1997 B Bonds Construction Trust Fund;

(6) Series 1997 B Bonds Reserve Account; and

(7) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created (or continued if previously established by the 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 1997 A Bonds Sinking Fund;

(2) Within the Series 1997 A Bonds Sinking Fund, the Series 1997 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 and priority:

(1) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, (i) each month, on or before the due date of payment of each installment of the Prior Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Prior Bonds, the amounts required to pay the interest on the Prior Bonds, and to amortize the principal of the Prior Bonds over the life of the Prior Bonds; (ii) each month, on or before the due date of payment of each installment of the Series 1997 B Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1997 B Bonds, the amounts required to pay the interest on the Series 1997 B Bonds, and to amortize the principal of the Series 1997 B Bonds over the life of the Series 1997 B Bonds; (iii) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1997 A Bonds for which interest has not been capitalized, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1997 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next semiannual interest payment date, the required amount of interest coming due on such date; and (iv) on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1997 A Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 1997 A Bonds on the next ensuing annual principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1997 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, simultaneously, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Depository Bank the amount required by the Prior Resolution to be deposited in the Series 1987 Bonds Reserve Account; (ii) remit to the Depository Bank for deposit in the Series 1997 B Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 B Bonds Reserve Requirement; and (iii) commencing 13 months prior to the first date of payment of principal of the Series 1997 A Bonds, if not fully funded upon issuance of the Series 1997 A Bonds, remit to the Commission for deposit in the Series 1997 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1997 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1997 A Bonds Reserve Account or the Series 1997 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 1997 A Bonds Reserve Requirement and the Series 1997 B Bonds Reserve Requirement, respectively.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve, the moneys remaining in the Revenue Fund, until there has been accumulated in the Depreciation Reserve the aggregate sum of $76,870, and thereafter, such sums as shall be required to maintain such amount therein, so long as the Prior Bonds remain outstanding. In addition, the Issuer shall, so long as the Series 1997 Bonds remain outstanding, on the first day of each month, transfer from the Revenue Fund to the Depreciation Reserve, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. Moneys in the Depreciation Reserve shall be used first to make up any deficiencies for monthly payments of principal of and interest on the Bonds as they become due, and next to restore to the Reserve Accounts any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Accounts are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and improvements for the System, or any part thereof.

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

Issuer to prepay portions of the principal amount of the Bonds, pro rata, or for any lawful purpose of the System.

Moneys in the Series 1997 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1997 A Bonds as the same shall become due. Moneys in the Series 1997 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1997 A Bonds as the same shall come due, when other moneys in the Series 1997 A Bonds Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the Rebate Fund permitted hereunder.

Moneys in the Series 1997 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1997 B Bonds as the same shall come due, when other moneys are insufficient therefor, and for no other purpose. Whenever the moneys in the Series 1997 B Bonds Reserve Account shall be sufficient to prepay the Series 1997 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 1997 B Bonds and accrued interest thereon to such prepayment date.

Except to the extent transferred to the Rebate Fund at the request of the Issuer, all investment earnings on moneys in the Series 1997 A Bonds Sinking Fund and the Series 1997 A 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 1997 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1997 A Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1997 A Bonds Reserve Account or the Series 1997 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 1997 A Bonds Reserve Requirement and the Series 1997 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made as 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 appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account or the Series 1997 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the Series 1997 A Bonds and the Series 1997 B Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturity dates 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 Prior Bonds, the Series 1997 A Bonds and the Series 1997 B Bonds in accordance with the respective principal amounts then outstanding.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Series 1997 B Bonds Reserve Account and the Depreciation Reserve as herein provided, and all amounts required for the Series 1997 B Bonds Reserve Account and the Depreciation Reserve will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written directions stating the amount remitted for deposit into each such fund.

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 Government and the Authority.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account created hereunder, and all

amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at any time, the Issuer shall make the necessary arrangements whereby required payments into the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required hereunder.

Moneys in the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

Except with respect to transfers to the Rebate Fund permitted hereunder, the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account and the Series 1997 B Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1997 A Bonds and the Series 1997 B Bonds, respectively, and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1997 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 remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at any time, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

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

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

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

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

## ARTICLE VI

## BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1997 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1997 A Bonds, there shall first be deposited with the Commission in the Series 1997 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 1997 A Bonds for the period commencing on the date of issuance of the Series 1997 A Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1997 A Bonds, there shall be deposited with the Commission in the Series 1997 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1997 A Bonds Reserve Account, and from the proceeds of the Series 1997 B Bonds, there shall be deposited with the Depository Bank in the Series 1997 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1997 B Bonds Reserve Account.

C. Next, from the proceeds of the Series 1997 A Bonds, there shall first be credited to the Series 1997 A Bonds Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, and any borrowings by the Issuer from the Authority, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The proceeds derived from the sale of the Series 1997 A Bonds shall be deposited with the Depository Bank in the Series 1997 A Bonds Construction Trust Fund and applied solely to pay the costs of the Project in the manner set forth in Section 6.02A.

E. The proceeds derived from the sale of the Series 1997 B Bonds shall be deposited with the Depository Bank in the Series 1997 B Bonds Construction Trust Fund and applied solely to pay the costs of the Project in the manner set forth in Section 6.02B.

F. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Series 1997 A Bonds Construction Trust Fund and the Series 1997 B Bonds Construction Trust Fund and shall comply with all requirements with respect to the disposition of the moneys in such funds set forth herein. Except with respect to any transfers to the Rebate Fund permitted hereunder, moneys in the Series 1997 A Bonds

Construction Trust Fund and the Series 1997 B Bonds Construction Trust Fund shall be used solely to pay the costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1997 A Bonds and the Series 1997 B Bonds, respectively.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. Except as provided in Section 6.01 hereof, disbursements from the Series 1997 A Bonds Construction Trust Fund (except for the costs of issuance of the Series 1997 A Bonds which shall be made upon request of the Issuer) shall be made each month only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

(ii) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a cost of the Project;

(iii) That each of such costs has been otherwise properly incurred; and

(iv) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Series 1997 A Bonds Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Series 1997 A Bonds Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Series 1997 A Bonds Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

After completion of the Project, as certified by the Consulting Engineers, and all costs of the Project have been paid, the Depository Bank shall transfer any moneys remaining in the Series 1997 A Bonds Construction Trust Fund to the Series 1997 A Bonds Reserve Account, provided that, in no event shall more than 10% of the proceeds from the sale of the Series 1997 A Bonds be deposited in the Series 1997 A Bonds Reserve Account, and when the Series 1997 A Bonds Reserve Account is fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter,

apply such moneys in full, first to the next ensuing interest payment due on the Series 1997 A Bonds and thereafter to the next ensuing principal payment due thereon.

B. Moneys in the Series 1997 B Bonds Construction Trust Fund shall be applied solely to pay the costs of the Project upon vouchers and other documentation approved by the Government. Upon completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Series 1997 B Bonds Construction Trust Fund and pay the Government on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 1997 B Bonds if there are not sufficient Net Revenues to make such monthly payment. When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 1997 B Bonds Construction Trust Fund shall be disposed of in accordance with the regulations of the Government.

Pending such application, moneys in the Series 1997 A Bonds Construction Trust Fund and the Series 1997 B Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

All moneys in the respective Bond Construction Trust Funds shall be kept separate and apart from each other.

## ARTICLE VII

## ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1997 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1997 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1997 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1997 Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1997 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Positions with respect to Prior Bonds. The payment of the debt service of the Series 1997 A Bonds and the Series 1997 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on such Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered on July 10, 1997, in Case No. 96-1524-PSD-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 1997 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Government, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole,

and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1997 A Bonds, immediately be remitted to the Commission for deposit in the Series 1997 A Bonds Sinking Fund, and with respect to the Series 1997 B Bonds, immediately be remitted to the National Finance Office designated in the Series 1997 B Bonds, and, with the written permission of the Authority and the Government, the Issuer shall direct the Commission and the National Finance Office to apply such proceeds to the payment of principal of and interest on the Bonds. Any balance remaining after the payment of the Bonds and interest thereon shall be remitted to the Issuer by the Commission and the National Finance Office 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 $50,000, the Issuer shall, in writing, 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 derived from any such sale shall be deposited in the Revenue 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 $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and the Governing Body 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 derived from any such sale shall be deposited in the Depreciation Reserve.

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 $200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1997 Bonds. All obligations issued by the Issuer after the issuance of the Series 1997 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 1997 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 1997 Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1997 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolution shall be applicable. In addition, no Parity Bonds payable out of the revenues of the System shall be issued after the issuance of the Series 1997 Bonds pursuant to this Bond Legislation, except under the additional conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolution).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1997 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding the Series 1997 Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, 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 date of issuance of 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 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 (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired (without successful appeal) 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, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1997 Bonds on such revenues. The Issuer shall not

issue any obligations whatsoever payable from revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1997 Bonds.

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

Notwithstanding the foregoing, or any provision of Section 7.06 hereof to the contrary, additional Parity Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority and the Government to the issuance of the additional Parity Bonds.

Section 7.08. Books; Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, the Government, 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 Government such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

The Issuer shall file with the Government, the Authority, or any other original purchaser of the Series 1997 Bonds, and shall mail in each year to any Holder or Holders of the Series 1997 Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1997 Bonds, and shall submit said report to the Authority, the Government, or any other original purchaser of the Series 1997 Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the 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 requirements.

The Issuer shall permit the Authority, the Government, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority, the Government, 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 Government with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from 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 on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1997 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 1997 A Bonds Reserve Account, the Series 1997 B Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with or junior to the Series 1997 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1997 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with or junior to the Series 1997 Bonds, including the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

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

Authority, the Government and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority, the Government and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant in compliance with OMB Circular 128, or any successor thereto, and the Single Audit Act, the report of which audit shall be submitted to the Authority and the Government and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation, the Act and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the Government covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, the Government 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 agrees that qualified operating personnel properly certified by the State will be employed 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 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 shall enter into a termination agreement with the sewerage system provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 1997 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Reserve and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Depreciation Reserve. 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 Government, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Government, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

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

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

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

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

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 1997 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest

due on the Series 1997 A Bonds during the term thereof is, under the terms of the Series 1997 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 1997 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 1997 A Bonds during the term thereof is, under the terms of the Series 1997 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 1997 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 1997 A Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Series 1997 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 1997 A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 1997 A Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1997 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1997 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1997 Bonds, and shall be on a parity with each other and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement, the Act and all applicable laws, rules and regulations issued by the Authority, or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

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).

## ARTICLE VIII

## INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest on the Series 1997 A Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1997 A Bonds which would cause the Series 1997 A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take any and all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 1997 A Bonds) so that the

interest on the Series 1997 A Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 1997 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 1997 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and shall be used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 8.03. The Issuer shall keep and retain, or cause to be

kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 1997 A Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1997 A Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Series 1997 A Bonds (as such term "gross proceeds" is defined in the Code).

## ARTICLE IX

## DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1997 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any of the Series 1997 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 1997 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1997 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

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

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on either series of the Series 1997 Bonds, it shall constitute an "Event of Default" with respect to the other series of Series 1997 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 1997 Bonds shall be on a parity with each other and with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the

protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

## ARTICLE X

## DEFEASANCE AND PAYMENT OF BONDS

Section 10.01. Defeasance of Series 1997 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1997 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1997 A Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1997 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1997 A Bonds from gross income for federal income tax purposes.

Series 1997 A Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1997 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1997 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1997 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1997 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Payment of Series 1997 B Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 1997 B Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1997 B Bonds, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 1997 B 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 1997 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1997 Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1997 Bonds shall be made without the consent in writing of the Registered Owners of the Series 1997 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 1997 Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 1997 Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1997 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 1997 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 1997 Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution

and the Prior Resolution, the Prior Resolution shall control (unless less restrictive), so long as the Prior Bonds are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Preston County Public Service District No. 4 and within the boundaries of the Issuer, a Class II legal advertisement stating:

(a) The maximum amount of the Series 1997 A Bonds and the Series 1997 B Bonds to be issued;

(b) The maximum interest rate and terms of the Series 1997 A Bonds and the Series 1997 B Bonds authorized hereby;

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

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

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

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

Adopted this 7th day of November, 1997.

Robert A Bailey
Chairman

Paul Collins
Member

Edwin Easton
Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 7th day of November, 1997.

Dated: November 7, 1997.

[SEAL]

Carl Collins
Secretary

10/28/97
723800/96002

EXHIBIT A

Loan Agreement included in transcript as Document 3.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)
and Series 1997 B (United States Department of Agriculture)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY) AND SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO THE SERIES 1997 A BONDS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 1997 A BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE SERIES 1997 B BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE; 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 Preston County Public Service District No. 4 (the "Issuer"), has duly and officially adopted a bond resolution, effective November 7, 1997 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $290,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), AND NOT MORE THAN $800,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES

DEPARTMENT OF AGRICULTURE); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT RELATING TO THE SERIES 1997 A 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 of the Issuer (collectively, the "Bonds"), to be issued in two series, being the Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), in an aggregate principal amount of not more than $290,000 (the "Series 1997 A Bonds"), and the Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), in an aggregate principal amount of not more than $800,000 (the "Series 1997 B Bonds"), and has authorized the execution and delivery of a loan agreement relating to the Series 1997 A Bonds (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (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, 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 1997 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement and the Series 1997 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 "Government") pursuant to the Letter of Conditions; 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 amounts, the dates, the maturity dates, the interest rates, the interest and principal payment dates and the sale prices of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

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 as follows:

(A) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $290,000. The Series 1997 A Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2035, and shall bear interest at the rate of 6.25% per annum, payable semiannually on April 1 and October 1 of each year, beginning April 1, 1998. The Series 1997 A Bonds shall be payable in annual installments of principal on October 1 of each year, commencing October 1, 1998, and ending October 1, 2035, and in the amounts as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Series 1997 A Bonds. The Series 1997 A Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

(B) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture) of the Issuer, originally represented by a single Bond, numbered BR-1 in the principal amount of $800,000. The Series 1997 B Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.875% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 1997 B Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $3,928 on the corresponding day of each month, except that the final installment shall be paid at the end of forty years from the date of the Series 1997 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 1997 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 1997 B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

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

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Series 1997 A Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 1997 A 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 1997 A Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Bruceton Bank, Bruceton Mills, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 1997 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1997 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1997 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 1997 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 1997 A Bonds shall be deposited in the Series 1997 A Bonds Construction Trust Fund for payment of costs of the Project, including, without limitation, costs of issuance of the Series 1997 A Bonds and related costs.

Section 10. The proceeds of the Series 1997 B Bonds shall be deposited in the Series 1997 B Bonds Construction Trust Fund as received from the Government from time to time for payment of the costs of the Project, including, without limitation, costs of issuance

of the Series 1997 B Bonds. Proceeds in the respective Bond Construction Trust Funds shall be kept separate and apart from each other.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1997 A Bonds may be delivered on or about November 7, 1997, to the Authority pursuant to the Loan Agreement, and the Series 1997 B Bonds may be delivered on or about November 7, 1997, to the Government pursuant to the Letter of Conditions.

Section 12. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank, subject to any limitations of the Government with respect to the proceeds of the Series 1997 B Bonds, in time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such time accounts until further directed by the Issuer. Moneys in the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer shall not permit at any time or times any of the proceeds of the Series 1997 A Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 1997 A Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Series 1997 A Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 7th day of November, 1997.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4

Robert A Bailey
Chairman

Carl Collins
Member

Edwin Easton
Member

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds, Series 1997 B
(United States Department of Agriculture)

SECOND SUPPLEMENTAL RESOLUTION

SECOND SUPPLEMENTAL RESOLUTION AMENDING THE MONTHLY PAYMENT AMOUNT OF THE WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

WHEREAS, the public service board (the "Governing Body") of Preston County Public Service District No. 4 (the "Issuer") has duly and officially adopted a Bond Resolution (the "Bond Resolution") and a Supplemental Resolution (the "Supplemental Resolution") on November 7, 1997, authorizing, among other things, the issuance of its Water Revenue Bonds, Series 1997 B (United States Department of Agriculture) (the "Series 1997 B Bonds");

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

WHEREAS, the Supplemental Resolution, among other things, provided that the amortized monthly payment of principal of and interest on the Series 1997 B Bonds would be $3,928;

WHEREAS, the Series 1997 B Bonds have been delivered to the Purchaser on November 7, 1997;

WHEREAS, after the delivery of the Series 1997 B Bonds, the Issuer was informed by the Purchaser that the amortized monthly payment of principal of and interest on the Series 1997 B Bonds should be $3,864;

WHEREAS, the Issuer desires to deliver to the Purchaser an amended page to the Series 1997 B Bonds with the correct amortized monthly principal and interest payment amount; and

WHEREAS, the Governing Body deems it essential and desirable that this second supplemental resolution (the "Second Supplemental Resolution") be adopted and that the amortized monthly principal and interest payment amount in the Series 1997 B Bonds be amended in the manner stated herein;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

Section 1. Pursuant to the Bond Resolution and the Act, this Second Supplemental Resolution is adopted. Section 1(B) of the Supplemental Resolution shall be amended as follows:

> (B) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture) of the Issuer, originally represented by a single Bond, numbered BR-1 in the principal amount of $800,000. The Series 1997 B Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 4.875% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 1997 B Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $3,864 on the corresponding day of each month, except that the final installment shall be paid at the end of forty years from the date of the Series 1997 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 1997 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 1997 B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Section 2. The amortized monthly principal and interest payment amount set forth in the Series 1997 B Bonds shall be amended in accordance with Section 1 hereof,

and the amended page to the Series 1997 B Bonds shall be in the form set forth in Exhibit A attached hereto and incorporated herein. The remaining provisions relating to the Series 1997 B Bonds shall remain unchanged.

Section 3. This Second Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of March, 1998.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4

Robert A Bailey
Chairman

Carl Collins
Member

Edwin Poston
Member

CERTIFICATION

Certified a true copy of a Second Supplemental Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 10th day of March, 1998.

Dated: March 10, 1998.

[SEAL]

Carl Collins
Secretary

EXHIBIT A

(SPECIMEN SERIES 1997 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 1997 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1 $800,000

FOR VALUE RECEIVED, the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of EIGHT HUNDRED THOUSAND DOLLARS ($800,000), plus interest on the unpaid principal balance at the rate of 4.875% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $3,864, 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.

02/24/98
723800/96002

(SPECIMEN SERIES 1997 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 1997 A
(WEST VIRGINIA WATER DEVELOPMENT AUTHORITY)

No. AR-1 $290,000

KNOW ALL MEN BY THESE PRESENTS: That PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston 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 NINETY THOUSAND DOLLARS ($290,000), in installments on October 1 of each year, beginning October 1, 1998, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, such interest shall be payable on April 1 and October 1 in each year, beginning April 1, 1998. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated November 7, 1997.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks 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 improvements or extensions thereto are herein called the

"System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on November 7, 1997, and a Supplemental Resolution duly adopted by the Issuer on November 7, 1997 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S (1) WATER REVENUE BOND, SERIES 1987, DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "PRIOR BONDS"), AND (2) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 1997 B Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1997 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1997 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds and the Series 1997 B Bonds; provided however, that so long as there exists in the Series 1997 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, including the Prior Bonds and the Series 1997 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the

Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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

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

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated November 7, 1997.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

## CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1997 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: November 7, 1997.

ONE VALLEY BANK, NATIONAL ASSOCIATION, as Registrar

_____

Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| Nov 7, 1997 | | | | | |
| Apr 1, 1998 | | | 7,250.00 | 7,250.00 | |
| Oct 1, 1998 | 1,822.09 | 6.250% | 9,062.50 | 10,884.59 | 18,134.59 |
| Apr 1, 1999 | | | 9,005.56 | 9,005.56 | |
| Oct 1, 1999 | 2,138.43 | 6.250% | 9,005.56 | 11,143.99 | 20,149.55 |
| Apr 1, 2000 | | | 8,938.73 | 8,938.73 | |
| Oct 1, 2000 | 2,272.08 | 6.250% | 8,938.73 | 11,210.81 | 20,149.54 |
| Apr 1, 2001 | | | 8,867.73 | 8,867.73 | |
| Oct 1, 2001 | 2,414.09 | 6.250% | 8,867.73 | 11,281.82 | 20,149.55 |
| Apr 1, 2002 | | | 8,792.29 | 8,792.29 | |
| Oct 1, 2002 | 2,564.97 | 6.250% | 8,792.29 | 11,357.26 | 20,149.55 |
| Apr 1, 2003 | | | 8,712.14 | 8,712.14 | |
| Oct 1, 2003 | 2,725.28 | 6.250% | 8,712.14 | 11,437.42 | 20,149.56 |
| Apr 1, 2004 | | | 8,626.97 | 8,626.97 | |
| Oct 1, 2004 | 2,895.61 | 6.250% | 8,626.97 | 11,522.58 | 20,149.55 |
| Apr 1, 2005 | | | 8,536.48 | 8,536.48 | |
| Oct 1, 2005 | 3,076.58 | 6.250% | 8,536.48 | 11,613.06 | 20,149.54 |
| Apr 1, 2006 | | | 8,440.34 | 8,440.34 | |
| Oct 1, 2006 | 3,268.87 | 6.250% | 8,440.34 | 11,709.21 | 20,149.55 |
| Apr 1, 2007 | | | 8,338.19 | 8,338.19 | |
| Oct 1, 2007 | 3,473.17 | 6.250% | 8,338.19 | 11,811.36 | 20,149.55 |
| Apr 1, 2008 | | | 8,229.65 | 8,229.65 | |
| Oct 1, 2008 | 3,690.24 | 6.250% | 8,229.65 | 11,919.89 | 20,149.54 |
| Apr 1, 2009 | | | 8,114.33 | 8,114.33 | |
| Oct 1, 2009 | 3,920.88 | 6.250% | 8,114.33 | 12,035.21 | 20,149.54 |
| Apr 1, 2010 | | | 7,991.80 | 7,991.80 | |
| Oct 1, 2010 | 4,165.94 | 6.250% | 7,991.80 | 12,157.74 | 20,149.54 |
| Apr 1, 2011 | | | 7,861.62 | 7,861.62 | |
| Oct 1, 2011 | 4,426.31 | 6.250% | 7,861.62 | 12,287.93 | 20,149.55 |
| Apr 1, 2012 | | | 7,723.30 | 7,723.30 | |
| Oct 1, 2012 | 4,702.95 | 6.250% | 7,723.30 | 12,426.25 | 20,149.55 |
| Apr 1, 2013 | | | 7,576.33 | 7,576.33 | |
| Oct 1, 2013 | 4,996.89 | 6.250% | 7,576.33 | 12,573.22 | 20,149.55 |
| Apr 1, 2014 | | | 7,420.18 | 7,420.18 | |
| Oct 1, 2014 | 5,309.19 | 6.250% | 7,420.18 | 12,729.37 | 20,149.55 |
| Apr 1, 2015 | | | 7,254.26 | 7,254.26 | |
| Oct 1, 2015 | 5,641.02 | 6.250% | 7,254.26 | 12,895.28 | 20,149.54 |
| Apr 1, 2016 | | | 7,077.98 | 7,077.98 | |
| Oct 1, 2016 | 5,993.58 | 6.250% | 7,077.98 | 13,071.56 | 20,149.54 |
| Apr 1, 2017 | | | 6,890.68 | 6,890.68 | |
| Oct 1, 2017 | 6,368.18 | 6.250% | 6,890.68 | 13,258.86 | 20,149.54 |
| Apr 1, 2018 | | | 6,691.68 | 6,691.68 | |
| Oct 1, 2018 | 6,766.19 | 6.250% | 6,691.68 | 13,457.87 | 20,149.55 |
| Apr 1, 2019 | | | 6,480.23 | 6,480.23 | |
| Oct 1, 2019 | 7,189.08 | 6.250% | 6,480.23 | 13,669.31 | 20,149.54 |
| Apr 1, 2020 | | | 6,255.57 | 6,255.57 | |
| Oct 1, 2020 | 7,638.40 | 6.250% | 6,255.57 | 13,893.97 | 20,149.54 |
| Apr 1, 2021 | | | 6,016.87 | 6,016.87 | |
| Oct 1, 2021 | 8,115.80 | 6.250% | 6,016.87 | 14,132.67 | 20,149.54 |
| Apr 1, 2022 | | | 5,763.26 | 5,763.26 | |
| Oct 1, 2022 | 8,623.03 | 6.250% | 5,763.26 | 14,386.29 | 20,149.55 |
| Apr 1, 2023 | | | 5,493.79 | 5,493.79 | |
| Oct 1, 2023 | 9,161.97 | 6.250% | 5,493.79 | 14,655.76 | 20,149.55 |
| Apr 1, 2024 | | | 5,207.47 | 5,207.47 | |
| Oct 1, 2024 | 9,734.60 | 6.250% | 5,207.47 | 14,942.07 | 20,149.54 |
| Apr 1, 2025 | | | 4,903.27 | 4,903.27 | |

## BOND DEBT SERVICE

West Virginia Water Development Authority
Preston County PSD #4, Closing Date Nov. 7, 1997
$290,000

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|---|---|---|---|---|---|
| Oct 1, 2025 | 10,343.01 | 6.250% | 4,903.27 | 15,246.28 | 20,149.55 |
| Apr 1, 2026 | | | 4,580.05 | 4,580.05 | |
| Oct 1, 2026 | 10,989.45 | 6.250% | 4,580.05 | 15,569.50 | 20,149.55 |
| Apr 1, 2027 | | | 4,236.63 | 4,236.63 | |
| Oct 1, 2027 | 11,676.29 | 6.250% | 4,236.63 | 15,912.92 | 20,149.55 |
| Apr 1, 2028 | | | 3,871.74 | 3,871.74 | |
| Oct 1, 2028 | 12,406.06 | 6.250% | 3,871.74 | 16,277.80 | 20,149.54 |
| Apr 1, 2029 | | | 3,484.06 | 3,484.06 | |
| Oct 1, 2029 | 13,181.44 | 6.250% | 3,484.06 | 16,665.50 | 20,149.56 |
| Apr 1, 2030 | | | 3,072.14 | 3,072.14 | |
| Oct 1, 2030 | 14,005.27 | 6.250% | 3,072.14 | 17,077.41 | 20,149.55 |
| Apr 1, 2031 | | | 2,634.47 | 2,634.47 | |
| Oct 1, 2031 | 14,880.60 | 6.250% | 2,634.47 | 17,515.07 | 20,149.54 |
| Apr 1, 2032 | | | 2,169.45 | 2,169.45 | |
| Oct 1, 2032 | 15,810.64 | 6.250% | 2,169.45 | 17,980.09 | 20,149.54 |
| Apr 1, 2033 | | | 1,675.37 | 1,675.37 | |
| Oct 1, 2033 | 16,798.81 | 6.250% | 1,675.37 | 18,474.18 | 20,149.55 |
| Apr 1, 2034 | | | 1,150.41 | 1,150.41 | |
| Oct 1, 2034 | 17,848.73 | 6.250% | 1,150.41 | 18,999.14 | 20,149.55 |
| Apr 1, 2035 | | | 592.63 | 592.63 | |
| Oct 1, 2035 | 18,964.28 | 6.250% | 592.63 | 19,556.91 | 20,149.54 |
| | 290,000.00 | | 473,667.80 | 763,667.80 | 763,667.80 |

## ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(SPECIMEN SERIES 1997 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 1997 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1 $800,000

FOR VALUE RECEIVED, the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of EIGHT HUNDRED THOUSAND DOLLARS ($800,000), plus interest on the unpaid principal balance at the rate of 4.875% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $3,864, 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 construction and acquisition of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation, nor shall the Borrower be obligated to pay the same or the interest thereon except from the special fund so provided.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at said office of the Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of

West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond is issued under the authority of 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 of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Borrower on November 7, 1997, and a Supplemental Resolution duly adopted by the Borrower on November 7, 1997 (collectively, the "Resolution").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act. This Bond shall be subject to the present regulations of the 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 BOND, SERIES 1987, DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "PRIOR BONDS"), AND (2) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED THE DATE HEREOF, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS").

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, and has caused this Bond to be dated November 7, 1997.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

[CORPORATE SEAL]

_____

Chairman

Route 2, Box 350
Albright, West Virginia 26519

ATTEST:

_____

Secretary

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 $_____

## 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:

_____

# PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

## WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND)

## BOND RESOLUTION

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**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**

RESOLUTION AUTHORIZING THE PAYING OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2002 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,030,000 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 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 ORDAINED AND ENACTED BY THE BOARD OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

## ARTICLE I

### STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any ordinance, 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. The Preston County Public Service District No. 4 (the "Issuer") is a public service district, a public corporation and political subdivision of the State of West Virginia in Preston County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, for the health and welfare of the inhabitants of the Issuer, the Issuer has heretofore acquired and constructed certain improvements and extensions to its existing system (the "Project") (the existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System").

C. The Issuer has heretofore temporarily financed the acquisition and construction of certain additions, extensions and improvements to the System by issuance of its Waterworks System Bond Anticipation Note, Series 2002 A (West Virginia Infrastructure Fund), dated September 12, 2002, issued in the original aggregate principal amount of $1,000,000 (the "Prior Notes"). The Issuer hereby determines that it is necessary and desirable to permanently finance and pay in full the Prior Notes with the proceeds of the Series 2010 A Bonds.

D. The Prior Notes were issued pursuant to a resolution of the Issuer duly adopted on September 3, 2002 as supplemented (collectively, the "Prior Note Resolution").

E. Pursuant to the Act, the Issuer is authorized and empowered to issue bonds for the purpose of paying or discharging all or any part of the Prior Notes.

F. The Issuer intends to pay the Prior Notes through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund for the West Virginia Infrastructure and Jobs Development Council (the "Council") pursuant to the Act.

G. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund) in the total aggregate principal amount of not more than $1,030,000 as a single bond (the "Series 2010 A Bonds"), to pay the Prior Notes and pay the costs of issuances thereof. 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 2010 A Bonds prior to and during acquisition and construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Account (as hereinafter defined) for the Series 2010 A Bonds; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; fees and expenses of the Authority; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2010 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition or construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2010 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

I. It is in the best interests of the Issuer that its Series 2010 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, on behalf of the Council, in form satisfactory to the respective parties, to be approved hereby if not previously approved by resolution of the Issuer.

J. Upon payment of the Prior Notes, there are outstanding obligations of the Issuer being: (i) Water Revenue Bond, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds"); (ii) Water

Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds"); and (iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds") (collectively, the "Prior Bonds).

The Series 2010 A Bonds shall be issued on a parity with the Prior Bonds. Prior to the issuance of the Series 2010 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2010 A Bonds on a parity with the Prior Bonds. After payment of the Prior Notes, 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.

K. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Issuer's Prior Bonds and the Series 2010 A Bonds and to make payments into all funds and accounts and other payments provided for herein.

L. The Issuer has complied with all requirements of West Virginia law, the Loan Agreement (hereinafter defined) relating to the authorization of the payment of the Prior Notes and the operation and maintaining of the System and issuance of the Series 2010 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of approval 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 2010 A Bonds or such final order will not be subject to appeal.

M. The Project has been reviewed and determined to be technically and financially feasible by the West Virginia Infrastructure and Jobs Development 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 2010 A 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 Series 2010 A 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 enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2010 A Bonds, or any other agency,

board or department of the State that succeeds to the functions of the Authority.

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

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

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

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

"Bonds" means, collectively, the Series 2010 A Bonds and the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 2010 A Bonds for all or a portion of the proceeds of the Series 2010 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 any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

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

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

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

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

"Governing Body" 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 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.

"Issuer" means the Preston County Public Service District No. 4, a public service district and pubic corporation and political subdivision of the State of West Virginia, in Preston 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 2010 A Bonds, 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 2010 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2010 A Bonds Reserve Account.

"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, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of

the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent or Paying Agents, 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 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 or Prior Bond cancelled by the Bond Registrar or Registrar for 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 deemed to have been paid as provided in Article X hereof; (iv) any Prior Bond deemed to have been paid; and (v) for purposes of consents or other action by a specified percentage of Bondholders, or holders of any Bonds registered to the Issuer.

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

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent by the Issuer in the Supplemental Resolution with the written consent of the Authority and the Council.

"Prior Bonds" means, collectively, the Issuer's Series 1987 Bonds, the Series 1997 A Bonds, and the Series 1997 B Bonds.

"Prior Notes" means the Issuer's Waterworks System Bond Anticipation Notes, Series 2002 A (West Virginia Infrastructure Fund), dated September 12, 2002, issued in the original aggregate principal amount of $1,000,000.

"Prior Notes Resolution" means the resolution of the Issuer authorizing the Prior Notes.

"Prior Resolutions" means the resolutions of the Issuer, as supplemented by the supplemental resolutions of the Issuer, authorizing the Prior Bonds.

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

"Qualified Investments" means and includes the following:

(a) Government Obligations;

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

(c) Bonds, debentures, notes or other evidences of indebtedness issued by

any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the West Virginia Code of 1931, as amended, including, without limitation, authorized pools of investments operated by such State Board of Investments; and

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

"Registered Owner," "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 Resolutions and continued hereby.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Prior Bonds and the Series 2010 A Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any Reserve Account.

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

"Secretary" means the Secretary of the Issuer.

"Series 1987 Bonds" means the Issuer's Water Revenue Bond, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 2010 A Bonds Trust Fund" means the Series 2010 A Bonds Trust Fund established by Section 5.01 hereof.

"Series 2010 A Bonds Reserve Account" means the Series 2010 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2010 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 2010 A Bonds in the then current or any succeeding year.

"Series 2010 A Bonds Sinking Fund" means the Series 2010 A Bonds Sinking Fund established by Section 5.02 hereof.

"Sinking Funds" means, collectively, the respective sinking funds established for the Prior Bonds and the Series 2010 A Bonds.

"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 2010 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2010 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation or the Prior Resolutions 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 Sinking Funds, the Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete existing public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

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

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 THE PAYMENT OF PRIOR NOTES

Section 2.01. Authorization of the Payment of the Prior Notes. There is hereby authorized and ordered the payment in full of the entire principal on the Prior Notes on the Closing Date. Upon payment in full of the Prior Notes, the pledge of funds in favor of the Holders of the Prior Notes imposed by the Prior Notes Resolution and the monies in the funds and accounts created by the Prior Notes Resolution pledged to the Prior Notes are hereby ordered terminated, discharged and released. The cost of the payment of the Prior Notes is estimated to be $1,030,000 which will be obtained from the proceeds of the Series 2010 A Bonds.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying the Prior Notes, funding the reserve account for the Series 2010 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2010 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 the negotiable Series 2010 A Bonds of the Issuer. The Series 2010 A Bonds shall be issued as a single bond, designated as "Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund)", in the principal amount of not more than $1,030,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2010 A Bonds remaining after funding of the Series 2010 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2010 A Bonds Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Series 2010 A Bonds shall be issued in such principal amount; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2010 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2010 A 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 2010 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of the Series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2010 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2010 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 2010 A Bonds shall cease to be such officer of the Issuer before the Series 2010 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 2010 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2010 A Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 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 2010 A Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2010 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2010 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2010 A Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2010 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 or transferring the registered Series 2010 A Bonds are exercised, all Series 2010 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2010 A Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2010 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of any Series 2010 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2010 A Bonds or, in the case of any proposed redemption of such 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 2010 A Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2010 A Bonds shall not, in any event, be or constitute a corporate 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 2010 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2010 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service on the Series 2010 A Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds, and to make all other payments hereinafter set forth, 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 2010 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2010 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 2010 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 2010 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 2010 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2010 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2010 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2010 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $1,030,000

KNOW ALL MEN BY THESE PRESENTS: That on this the ____ day of _____, 2010, the Preston County Public Service District No. 4, a municipal corporation and political subdivision of the State of West Virginia in Preston 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 THIRTY THOUSAND DOLLARS ($1,030,000), 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, 20___ to and including _____ 1, 20___ as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest of 3% on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and 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 _____, 2010.

This Bond is issued (i) to pay the Issuer's Water System Bond Anticipation Notes, Series 2002 A (West Virginia Infrastructure Fund) (the "Prior Notes"); (ii) fund the Series 2010 A Bonds Reserve Account; and (iii) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly enacted by the Issuer on _____, 2010, and a Supplemental

Resolution duly adopted by the Issuer on _____, 2010 (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 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (2) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS") (COLLECTIVELY THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2010 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2010 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that, so long as there exists in the Series 2010 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance 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 in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 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: _____, 2010.

THE HUNTINGTON NATIONAL BANK,
as Registrar

By: _____
Its: Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2010 A 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 them 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, and is hereby approved and incorporated in this Bond Legislation.

Section 3.12. Filing of Amended Schedule. The Issuer will file with the Council and the Authority a schedule for the Series 2010 A Bonds, the form of which will be provided by the Authority and the Council, setting forth the actual costs of funds therefor.

## ARTICLE IV

**[RESERVED]**

## ARTICLE V

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

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

(1) Revenue Fund (established by the Prior Resolutions and continued hereby);

(2) Renewal and Replacement Fund (established by the Prior Resolutions as Depreciation Reserve and hereby renamed and continued);

(3) Series 1987 Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Series 1997 B Bonds Reserve Account (established by the Prior Resolutions and continued hereby);

(4) Rebate Fund (established by the Prior Resolutions and continued hereby); and

(3) Series 2010 A Bonds Trust 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 or the Issuer and from each other:

(1) Series 1997 A Bonds Sinking Fund (established by Prior Resolution and continued hereby);

(2) Series 1997 A Bonds Reserve Account (established by Prior Resolution and continued hereby);

(3) Series 2010 A Bonds Sinking Fund; and

(4) Series 2010 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Prior Resolutions and 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 the Prior Resolutions and in this Bond Legislation. All monies in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit simultaneously (i) to the National Finance Office, the interest payments on the Series 1987 Bonds and Series 1997 B Bonds, as required by the Prior Resolutions, (ii) to the Commission, the interest payments on the Series 1997 A Bonds, as required by Prior Resolution, and (iii) to the Commission, commencing 4 months prior to the first date of payment of interest of the Series 2010 A Bonds, for deposit in the Series 2010 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will mature and become due on the Series 2010 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2010 A Bonds Sinking Fund and the next quarterly interest payment due is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the National Finance Office, the principal payments on the Series 1987 Bonds and Series 1997 B Bonds, as required by the Prior Resolutions, (ii) to the Commission, the principal payments on the Series 1997 A Bonds, as required by the Prior Resolution, and (iii) to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2010 A Bonds, for deposit in the

Series 2010 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2010 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 2010 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the Depository Bank for deposit in the respective reserve accounts for the Series 1987 Bonds and Series 1997 B Bonds, the amounts required by the Prior Resolutions to be deposited therein, (ii) to the Commission for deposit in the reserve account for the Series 1997 A Bonds, the amounts required by the Prior Resolutions to be deposited therein, and (iii) to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2010 A Bonds, if not fully funded upon issuance of the Series 2010 A Bonds, for deposit in the Series 2010 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2010 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2010 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 2010 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, from the monies remaining in the Revenue Fund, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Resolutions and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided, that any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose of the System.

Monies in the Series 2010 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2010 A Bonds, as the same shall become due. Monies in the Series 2010 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2010 A Bonds, as the same shall come due, when other monies in the Series 2010 A

Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2010 A Bonds.

Any withdrawals from the Series 2010 A Bonds Reserve Account, which result in a reduction in the balance of such accounts to below the Reserve Requirements thereof, shall be 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 2010 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 respective reserve account in an amount equal to the requirement thereof.

The Issuer shall not be required to make any further payments into the Series 2010 A Bonds Sinking Fund or the Series 2010 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2010 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds and the Series 2010 A Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2010 A Bonds Sinking Fund and the Series 2010 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. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. The Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2010 A Bonds Sinking Fund and the Series 2010 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2010 A Bonds under the conditions and restrictions set forth herein.

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

C. The Issuer shall on the first day of each month (if the first day is not a business

day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 2010 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.

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

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

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

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

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

## ARTICLE VI

## APPLICATION OF BOND PROCEEDS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2010 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2010 A Bonds, there shall be deposited with the Commission the amount set forth in the Supplemental Resolution to pay the Prior Notes.

B. Next, from the proceeds of the Series 2010 A Bonds, there shall be deposited with the Commission in the Series 2010 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the

Series 2010 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2010 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2010 A Bonds Trust Fund and applied solely to payment of the 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 2010 A Bonds.

D. After completion of the payment of the Prior Notes and all costs have been paid, any remaining proceeds of the Series 2010 A Bonds shall be expended as directed by the Council.

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

Except as provided in Section 6.01 hereof, disbursements of the proceeds of the Series 2010 A Bonds from the Series 2010 A Bonds Trust Fund shall be made only after submission to, and approval from, the Council of a certificate, signed by an Authorized Officer, stating that:

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

(2) 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;

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

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

Pending such application, monies in the Series 2010 A Bonds Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2010 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer, if applicable.

## 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 2010 A 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 2010 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 2010 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2010 A Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2010 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2010 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 on the Series 2010 A Bonds shall be secured by a first lien on the Net Revenues derived from the System, on a parity with each other and 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 on and other payments for the Bonds, and to make all other payments hereinafter set forth, are hereby irrevocably pledged to such payments as they become due.

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 and the Issuer shall provide an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall provide a certificate of certified public accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved described in the Commission Order of the Public Service Commission of West Virginia entered June 10, 2010, in Case No.09-1290-PWD-PC-19A, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2010 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2010 A Bonds shall prove to be insufficient to produce the amounts required by 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 and charges and take all such actions necessary to provide funds sufficient to produce the amounts required by this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Resolutions and with the written consent of the Authority and the Council.

So long as the Series 2010 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System

shall immediately be remitted to the Commission for deposit in the Series 2010 A Bonds Sinking Fund, 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 2010 A Bonds in accordance with Article X hereof. Any balance remaining after the payment of the Series 2010 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Governing Body may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Prior Resolutions and 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 source fiscal year for such sales, leases or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2010 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2010 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2010 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 2010 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2010 A Bonds and the interest thereon in this

Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no additional Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2010 A Bonds pursuant to this Resolution, 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 Resolutions).

No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 1987 Bonds or the Series 1997 B 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 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 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 1987 Bonds, the Series 1997 B Bonds and the Series 2010 A Bonds are no longer outstanding, the following parity requirement shall be met:

So long as the Series 1997 A Bonds or the Series 2010 A Bonds are outstanding, no Parity Bonds shall be issued at any time, unless there has been procured and filed with the Secretary a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment 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 additional 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 on the following:

(1) The Bonds then Outstanding;

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

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) 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 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, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which has expired (without successful appeal) prior to the issuance of such Parity Bonds.

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

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

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable

times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the Project; the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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 and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Authority and the Council, or any other original purchaser of the Series 2010 A Bonds and shall mail in each year to any Holder or Holders of the Series 2010 A Bonds, requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and, to the extent legally required, in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or any successor thereof), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2010 A Bonds and shall submit the report to the Authority and the Council, or any other original purchaser of the Series 2010 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of test 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, the proposed site of the Project and has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared by the Consulting Engineers. All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Issuer.

The Issuer shall permit the Authority or the Council, or their agents and representatives, to enter and inspect the facilities at all reasonable times. 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 2010 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file with the Secretary, which copy will be open to inspection by all interested parties. The schedule or schedules 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 and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, 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 or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 A Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 A 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 in the Series 2010 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2010 A Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 A Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate resolution described in Section 7.04.

The Issuer hereby covenants to commence enactment of such resolution or resolutions as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the

System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, 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 any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the Closing Date, and for a period of 2 years, 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. 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 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the waterworks 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 the System or the waterworks 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 waterworks system is 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 waterworks, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders thereof.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, 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. The Issuer hereby covenants and agrees that so long as the Series 2010 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the prime contractor and subcontractors, as their interests may appear.

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction

contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

(4) FIDELITY BONDS will be provided as to every officer 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.

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

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

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 has completed the acquisition and construction of the Project and shall 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 of issuance of the Series 2010 A Bonds required by State law, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority. The Issuer also agree 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 Project and the operation, maintenance and use of the System.

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

Section 7.19. Reserved.

Section 7.20. Securities Law Compliance. The Issuer will provide the Authority, in

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

Section 7.21. Approvals; Public Releases.

A. The Issuer shall, simultaneously with the delivery of the Series 2010 A Bonds or immediately thereafter, enter into the loan agreement for the immediate payment of the Prior Notes.

B. The Issuer shall list the funding provided by the Council and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any 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 Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such 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 bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2010 A Bonds are Outstanding and as long thereafter as necessary to comply with the Code and to assure the exclusion of interest, if any, on the Series 2010 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 2010 A Bonds as a condition to issuance of the Series 2010 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 2010 A Bonds as may be necessary in order to maintain the status of the Series 2010 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 2010 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 2010 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 2010 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 2010 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 2010 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on their respective parts relating to the Series 2010 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2010 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, 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 Resolutions.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner or Bondholder 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 or Bondholders 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 or Bondholders 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 2010 A Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

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

## ARTICLE X

## PAYMENT OF BONDS

Section 10.01. Payment of Series 2010 A Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2010 A Bonds, the principal of and interest, if any, due or to become due thereon at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2010 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 2010 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2010 A Bonds, no material modification or amendment of this Resolution, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2010 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2010 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2010 A Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein 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 2010 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 excludability of interest on the Series 2010 A Bonds from gross income of the holders thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution or the Series 2010 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 Resolutions. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Bonds are outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, the Secretary and members of the Governing Body and the Issuer were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

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Adopted this 14th day of December, 2010.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4

Robert A Bailey

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly enacted by the Public Service Board of the Preston County Public Service District No. 4 on the 14th day of December, 2010.

Dated: December 22, 2010.

[SEAL]

Secretary

11.10.10
723800.00005

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds, Series 2010 A
(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 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; APPROVING AND RATIFYING 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 the Preston County Public Service District No. 4 (the "Issuer") has duly and officially adopted and enacted a bond resolution, effective December 14, 2010 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE PAYING OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2002 A (WEST VIRGINIA INFRASTRUCTURE FUND) OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $1,030,000 IN ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 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 Bond Resolution when used herein;

WHEREAS, the Bond Resolution provides for the issuance of Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), of the Issuer (the "Series 2010 A Bonds"), in the aggregate principal amounts not to exceed $1,030,000, and has authorized the execution and delivery of a loan agreement relating to the Series 2010 A 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"), 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 Series 2010 A Bonds should be established by a supplemental resolution pertaining to the Series 2010 A Bonds; and that other matters relating to the Series 2010 A Bonds be herein provided for;

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

WHEREAS, the Series 2010 A Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates and the sale price of the Series 2010 A Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 2010 A Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, AS FOLLOWS:

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 Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of $1,030,000. The Series 2010 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2031, and shall bear interest of 3%. The principal and interest of the Series 2010 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2011, to and including March 1, 2031, and in the amounts as set forth in the "Schedule Y" attached to the Loan

Agreement for the Series 2010 A Bonds and incorporated in and made a part of the Series 2010 A Bonds. The Series 2010 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, so long as the Authority shall be the registered owner of the Series 2010 A Bonds.

Section 2. All other provisions relating to the Series 2010 A Bonds and the text of the Series 2010 A Bonds shall be in substantially the form provided in the Bond Resolution.

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Series 2010 A Bonds shall be 100% of par value, there being no interest accrued thereon.

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 2010 A Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Series 2010 A 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 2010 A Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate the Clear Mountain Bank, Bruceton Mills, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. Series 2010 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2010 A Bonds Reserve Account.

Section 8. The payoff of principal and interest of the Prior Bonds is $1,029,591. An amount of $406.77 is available in the Series 2002 A Sinking Fund; therefore, an amount of $1,029,184.23 is required to pay the outstanding principal balance of and all accrued interest on the Issuer's Waterworks System Bond Anticipation Note, Series 2002 A (the "Prior Notes"). The Municipal Bond Commission fee is $2,000.

Series 2010 A Bonds proceeds in the amount of $1,030,000 shall be deposited at Closing with the Municipal Bond Commission of which $1,029,184.23 is to be applied to pay the outstanding principal balance of and all accrued interest on the Prior Notes and $815.77 to be

applied to the Municipal Bond Commission fee.

The Issuer shall contribute an amount of $1,184.23 to pay the remaining portion of the Municipal Bond Commission fee.

Section 9. The Chairman and the Secretary are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Series 2010 A Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 2010 A Bonds may be delivered on or about December 22, 2010, to the Authority pursuant to the Loan Agreement.

Section 10. The payment of the Prior Notes and the financing thereof in part with proceeds of the Series 2010 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 11. The Issuer hereby determines to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Monies in the Series 2010 A Bond Sinking Fund and the Series 2010 A Bond Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 12. This Supplemental Resolution shall be effective immediately following adoption hereof.

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Adopted this 14th day of December, 2010.

Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Preston County Public Service District No. 4 on the 14th day of December, 2010.

Dated: December 22, 2010.

[SEAL]

James R. Summers
Secretary

11.10.10
723800.00005

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2010 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

$1,030,000

KNOW ALL MEN BY THESE PRESENTS: That on this the 22nd day of December, 2010, the Preston County Public Service District No. 4, a municipal corporation and political subdivision of the State of West Virginia in Preston 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 THIRTY THOUSAND DOLLARS ($1,030,000), 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, 2011 to and including March 1, 2031 as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest of 3% on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of The Huntington National Bank, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and 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 December 22, 2010.

This Bond is issued (i) to pay the Issuer's Water System Bond Anticipation Notes, Series 2002 A (West Virginia Infrastructure Fund) (the "Prior Notes"); and (ii) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly enacted by the Issuer on December 14, 2010, and a Supplemental Resolution duly adopted by the Issuer on December 14, 2010 (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 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (2) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); AND (3) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS") (COLLECTIVELY THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2010 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2010 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds; provided however, that, so long as there exists in the Series 2010 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

Subject to the registration requirements set forth herein, this Bond, under the provision of

the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance 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 in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated the day and year first written above.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2010 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: December 22, 2010.

THE HUNTINGTON NATIONAL BANK,
as Registrar

By: _____
Its: Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

| | AMOUNT | DATE | | AMOUNT | DATE |
|---|---|---|---|---|---|
| (1) | $1,030,000 | December 22, 2010 | (19) | | |
| (2) | | | (20) | | |
| (3) | | | (21) | | |
| (4) | | | (22) | | |
| (5) | | | (23) | | |
| (6) | | | (24) | | |
| (7) | | | (25) | | |
| (8) | | | (26) | | |
| (9) | | | (27) | | |
| (10) | | | (28) | | |
| (11) | | | (29) | | |
| (12) | | | (30) | | |
| (13) | | | (31) | | |
| (14) | | | (32) | | |
| (15) | | | (33) | | |
| (16) | | | (34) | | |
| (17) | | | (35) | | |
| (18) | | | (36) | | |

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

## BOND DEBT SERVICE

Preston County PSD No. 4

IF

3% Interest Rate

20 Years

Dated Date 12/22/2010

Delivery Date 12/22/2010

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 6/1/2011 | 9,443 | 3.000% | 7,725.00 | 17,168.00 |
| 9/1/2011 | 9,514 | 3.000% | 7,654.18 | 17,168.18 |
| 12/1/2011 | 9,585 | 3.000% | 7,582.82 | 17,167.82 |
| 3/1/2012 | 9,657 | 3.000% | 7,510.94 | 17,167.94 |
| 6/1/2012 | 9,730 | 3.000% | 7,438.51 | 17,168.51 |
| 9/1/2012 | 9,803 | 3.000% | 7,365.53 | 17,168.53 |
| 12/1/2012 | 9,876 | 3.000% | 7,292.01 | 17,168.01 |
| 3/1/2013 | 9,950 | 3.000% | 7,217.94 | 17,167.94 |
| 6/1/2013 | 10,025 | 3.000% | 7,143.32 | 17,168.32 |
| 9/1/2013 | 10,100 | 3.000% | 7,068.13 | 17,168.13 |
| 12/1/2013 | 10,176 | 3.000% | 6,992.38 | 17,168.38 |
| 3/1/2014 | 10,252 | 3.000% | 6,916.06 | 17,168.06 |
| 6/1/2014 | 10,329 | 3.000% | 6,839.17 | 17,168.17 |
| 9/1/2014 | 10,407 | 3.000% | 6,761.70 | 17,168.70 |
| 12/1/2014 | 10,485 | 3.000% | 6,683.65 | 17,168.65 |
| 3/1/2015 | 10,563 | 3.000% | 6,605.01 | 17,168.01 |
| 6/1/2015 | 10,642 | 3.000% | 6,525.79 | 17,167.79 |
| 9/1/2015 | 10,722 | 3.000% | 6,445.97 | 17,167.97 |
| 12/1/2015 | 10,803 | 3.000% | 6,365.56 | 17,168.56 |
| 3/1/2016 | 10,884 | 3.000% | 6,284.54 | 17,168.54 |
| 6/1/2016 | 10,965 | 3.000% | 6,202.91 | 17,167.91 |
| 9/1/2016 | 11,048 | 3.000% | 6,120.67 | 17,168.67 |
| 12/1/2016 | 11,130 | 3.000% | 6,037.81 | 17,167.81 |
| 3/1/2017 | 11,214 | 3.000% | 5,954.33 | 17,168.33 |
| 6/1/2017 | 11,298 | 3.000% | 5,870.23 | 17,168.23 |
| 9/1/2017 | 11,383 | 3.000% | 5,785.49 | 17,168.49 |
| 12/1/2017 | 11,468 | 3.000% | 5,700.12 | 17,168.12 |
| 3/1/2018 | 11,554 | 3.000% | 5,614.11 | 17,168.11 |
| 6/1/2018 | 11,641 | 3.000% | 5,527.46 | 17,168.46 |
| 9/1/2018 | 11,728 | 3.000% | 5,440.15 | 17,168.15 |
| 12/1/2018 | 11,816 | 3.000% | 5,352.19 | 17,168.19 |
| 3/1/2019 | 11,905 | 3.000% | 5,263.57 | 17,168.57 |
| 6/1/2019 | 11,994 | 3.000% | 5,174.28 | 17,168.28 |
| 9/1/2019 | 12,084 | 3.000% | 5,084.33 | 17,168.33 |
| 12/1/2019 | 12,175 | 3.000% | 4,993.70 | 17,168.70 |
| 3/1/2020 | 12,266 | 3.000% | 4,902.38 | 17,168.38 |
| 6/1/2020 | 12,358 | 3.000% | 4,810.39 | 17,168.39 |
| 9/1/2020 | 12,451 | 3.000% | 4,717.70 | 17,168.70 |
| 12/1/2020 | 12,544 | 3.000% | 4,624.32 | 17,168.32 |
| 3/1/2021 | 12,638 | 3.000% | 4,530.24 | 17,168.24 |
| 6/1/2021 | 12,733 | 3.000% | 4,435.46 | 17,168.46 |
| 9/1/2021 | 12,828 | 3.000% | 4,339.96 | 17,167.96 |
| 12/1/2021 | 12,924 | 3.000% | 4,243.75 | 17,167.75 |
| 3/1/2022 | 13,021 | 3.000% | 4,146.82 | 17,167.82 |

**BOND DEBT SERVICE**

Preston County PSD No. 4

IF

3% Interest Rate

20 Years

| Period Ending | Principal | Coupon | Interest | Debt Service |
|---|---|---|---|---|
| 6/1/2022 | 13,119 | 3.000% | 4,049.16 | 17,168.16 |
| 9/1/2022 | 13,217 | 3.000% | 3,950.77 | 17,167.77 |
| 12/1/2022 | 13,317 | 3.000% | 3,851.64 | 17,168.64 |
| 3/1/2023 | 13,416 | 3.000% | 3,751.76 | 17,167.76 |
| 6/1/2023 | 13,517 | 3.000% | 3,651.14 | 17,168.14 |
| 9/1/2023 | 13,618 | 3.000% | 3,549.77 | 17,167.77 |
| 12/1/2023 | 13,721 | 3.000% | 3,447.63 | 17,168.63 |
| 3/1/2024 | 13,824 | 3.000% | 3,344.72 | 17,168.72 |
| 6/1/2024 | 13,927 | 3.000% | 3,241.04 | 17,168.04 |
| 9/1/2024 | 14,032 | 3.000% | 3,136.59 | 17,168.59 |
| 12/1/2024 | 14,137 | 3.000% | 3,031.35 | 17,168.35 |
| 3/1/2025 | 14,243 | 3.000% | 2,925.32 | 17,168.32 |
| 6/1/2025 | 14,350 | 3.000% | 2,818.50 | 17,168.50 |
| 9/1/2025 | 14,457 | 3.000% | 2,710.88 | 17,167.88 |
| 12/1/2025 | 14,566 | 3.000% | 2,602.45 | 17,168.45 |
| 3/1/2026 | 14,675 | 3.000% | 2,493.20 | 17,168.20 |
| 6/1/2026 | 14,785 | 3.000% | 2,383.14 | 17,168.14 |
| 9/1/2026 | 14,896 | 3.000% | 2,272.25 | 17,168.25 |
| 12/1/2026 | 15,008 | 3.000% | 2,160.53 | 17,168.53 |
| 3/1/2027 | 15,120 | 3.000% | 2,047.97 | 17,167.97 |
| 6/1/2027 | 15,234 | 3.000% | 1,934.57 | 17,168.57 |
| 9/1/2027 | 15,348 | 3.000% | 1,820.32 | 17,168.32 |
| 12/1/2027 | 15,463 | 3.000% | 1,705.21 | 17,168.21 |
| 3/1/2028 | 15,579 | 3.000% | 1,589.24 | 17,168.24 |
| 6/1/2028 | 15,696 | 3.000% | 1,472.39 | 17,168.39 |
| 9/1/2028 | 15,814 | 3.000% | 1,354.67 | 17,168.67 |
| 12/1/2028 | 15,932 | 3.000% | 1,236.07 | 17,168.07 |
| 3/1/2029 | 16,052 | 3.000% | 1,116.58 | 17,168.58 |
| 6/1/2029 | 16,172 | 3.000% | 996.19 | 17,168.19 |
| 9/1/2029 | 16,293 | 3.000% | 874.90 | 17,167.90 |
| 12/1/2029 | 16,416 | 3.000% | 752.70 | 17,168.70 |
| 3/1/2030 | 16,539 | 3.000% | 629.58 | 17,168.58 |
| 6/1/2030 | 16,663 | 3.000% | 505.54 | 17,168.54 |
| 9/1/2030 | 16,788 | 3.000% | 380.57 | 17,168.57 |
| 12/1/2030 | 16,914 | 3.000% | 254.66 | 17,168.66 |
| 3/1/2031 | 17,040 | 3.000% | 127.80 | 17,167.80 |
| | **1,030,000** | | **343,461.38** | **1,373,461.38** |

(Form of)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**

**WATER REVENUE BONDS, SERIES 2012 A**
**(WEST VIRGINIA DWTRF PROGRAM); AND**
**WATER REVENUE BONDS, SERIES 2012 B**
**(WEST VIRGINIA DWTRF PROGRAM)**

**BOND RESOLUTION**

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**PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4**

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,903,853 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), AND NOT MORE THAN $605,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2012 B (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE 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 PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

## 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 16, Article 13C 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. Preston County Public Service District No. 4 (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Preston County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer,

consisting of construction and installation of waterline extensions in the Clifton Mills area of Preston County (collectively, the "Project") (the existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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"), which administers the West Virginia Drinking Water Treatment Revolving Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $4,508,853 in two series (collectively, the "Series 2012 Bonds"), being the Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), in the aggregate principal amount of not more than $3,903,853 (the "Series 2012 A Bonds"), and the Water Revenue Bonds, Series 2012 B (West Virginia DWTRF Program), in the aggregate principal amount of not more than $605,000 (the "Series 2012 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2012 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, including the Administrative Fee, if any, (as hereafter 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 2012 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 2012 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 32 years.

F. It is in the best interests of the Issuer that its Series 2012 Bonds be sold to the Authority pursuant to the terms and provisions of a Loan Agreement by and between the Issuer and the Authority, on behalf of the West Virginia Bureau for Public Health (the "BPH"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding bonds or obligations of the Issuer which will rank on a parity with the Series 2012 Bonds as to liens, pledge and source of and security

for payment, being the: (i) Water Revenue Bond, Series 1987 (United States Department of Agriculture), dated May 11, 1988, issued in the original aggregate principal amount of $370,000 (the "Series 1987 Bonds"); (ii) Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000 (the "Series 1997 A Bonds"); (iii) Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000 (the "Series 1997 B Bonds"); and (iv) Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000 (the "Series 2010 A Bonds") (collectively, the "Prior Bonds). Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2012 Bonds as to liens, pledge and/or source of and security for payment.

Prior to the issuance of the Series 2012 Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consents of the Holders of the Prior Bonds to the issuance of the Series 2012 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer is in compliance with all the covenants of the Prior Bonds and the Prior Resolutions.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest, if any, on the Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein and in the Prior Resolution, all as such terms are hereinafter defined.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2012 A Bonds and the Series 2012 B Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2012 A Bonds and the Series 2012 B Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been reviewed and determined to be technically and financially feasible by the West Virginia Infrastructure and Jobs Development 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and Series 2012 B Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Administrative Fee" means the Administrative Fee required, if any, to be paid pursuant to the Loan Agreement for the Series 2012 Bonds.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2012 A Bonds and the Series 2012 B 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 BPH under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2012 A Bonds, the Series 2012 B Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

"BPH" means the West Virginia Bureau for Public Health, a division of the West Virginia Department of Health and Human Resources, or any successor thereto.

"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 2012 A Bonds and the Series 2012 B Bonds for all or a portion of the proceeds of the Series 2012 A Bonds and the Series 2012 B Bonds, respectively, 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 Greenhorne & O'Mara, Inc., Bruceton Mills, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Cross Cutter Authorities" means federal laws and authorities that apply by their terms to projects or activities receiving federal assistance.

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

"DWTRF Regulations" means the DWTRF regulations set forth in the West Virginia Code of State Regulations, as amended from time to time.

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

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

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

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

"Grant" means all moneys received by the Issuer 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 Preston County Public Service District No. 4, a public service district, public corporation and political subdivision of the State of West Virginia, in Preston 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 BPH, providing for the purchase of the Series 2012 A Bonds from the Issuer by the Authority, and by and between the Issuer and the Authority, on behalf of the BPH, providing for the purchase of the Series 2012 B Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 2012 A Bonds and the Series 2012 B Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2012 A Bonds Reserve Account.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, the Administrative Fee, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the Paying Agent (all as herein defined), other than those capitalized as part of the costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" 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 monies, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

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

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

"Prior Bonds" means, the Series 1987 Bonds, the Series 1997 A Bonds, the Series 1997 B Bonds and Series 2010 A Bonds.

"Prior Resolution" means the resolutions and supplemental resolutions of the Issuer authorizing the issuance of 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.

"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 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 established for the Series 2012 A Bonds and the Prior Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in any Reserve Account for the Prior Bonds and the Series 2012 A Bonds.

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

"RUS Bonds" means, collectively, the Issuer's Series 1987 Bonds and Series 1997 B Bonds.

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

"Series 1987 Bonds" means the Issuer's Water Revenue Bonds, Series 1987 (United States Department of Agriculture), dated May 11, 1987, issued in the original aggregate principal amount of $370,000.

"Series 1997 A Bonds" means the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, issued in the original aggregate principal amount of $290,000.

"Series 1997 B Bonds" means the Issuer's Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), dated November 7, 1997, issued in the original aggregate principal amount of $800,000.

"Series 2010 A Bonds" means the Issuer's Water Revenue Bonds, Series 2010 A (West Virginia Infrastructure Fund), dated December 22, 2010, issued in the original aggregate principal amount of $1,030,000.

"Series 2012 Bonds" means collectively, the Series 2012 A Bonds and the Series 2012 B Bonds.

"Series 2012 A Bonds" means the Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program) of the Issuer, authorized by this Resolution.

"Series 2012 A Bonds Reserve Account" means the Series 2012 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2012 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 2012 A Bonds in the then current or any succeeding year.

"Series 2012 A Bonds Sinking Fund" means the Series 2012 A Bonds Sinking Fund established by Section 5.02 hereof.

"Series 2012 B Bonds" means the Water Revenue Bonds, Series 2012 B (West Virginia DWTRF Program) of the Issuer, authorized by this Resolution.

"Series 2012 Bonds Construction Trust Fund" means the Series 2012 Bonds Construction Trust Fund established by Section 5.01 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2012 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 2012 A Bonds and the Series 2012 B Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2012 A Bonds and the Series 2012 B Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Series 2012 A Bonds, the Series 2012 B Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, Reserve Accounts and the Renewal and Replacement Fund.

"System" means the complete public waterworks system of the Issuer, as extended and improved by the Project, including the existing 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 System; and shall also include any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever.

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

"West Virginia DWTRF Program" means the West Virginia Drinking Water Treatment Revolving Fund program established by the State, administered by the BPH and funded by capitalization grants awarded to the State pursuant to the federal Safe Drinking Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the acquisition, construction and improvement of drinking water projects.

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; and any requirement for execution or attestation of the Bonds or any certificate or other document by the Chairman or the Secretary shall mean that such Bonds, certificate or other document may be executed or attested by an Acting Chairman or Acting Secretary.

## ARTICLE II

## AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

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 $4,920,770, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2012 A Bonds and the Series 2012 B Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Authority and the BPH.

The cost of the Project is estimated not to exceed $4,920,770, of which approximately $3,903,853 will be obtained from proceeds of the Series 2012 A Bonds, approximately $605,000 will be obtained from proceeds of the Series 2012 B Bonds, $366,917 will be obtained from an Abandoned Mine Lands Grant; and $45,000 will be obtained from the proceeds of a Infrastructure Fund Grant.

## ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2012 A Bonds and the Series 2012 B Bonds, if any, funding reserve accounts for the Series 2012 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2012 A Bonds and the Series 2012 B 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 the Series 2012 A Bonds and the Series 2012 B Bonds of the Issuer. The Series 2012 Bonds shall be issued in two series, each as a single bond, designated respectively as "Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program)," in the principal amount of not more than $3,903,853, and "Water Revenue Bonds, Series 2012 B (West Virginia DWTRF Program)," in the principal amount of not more than $605,000, and both shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2012 A Bonds and the Series 2012 B Bonds remaining after capitalizing interest, if any, on the Series 2012 A Bonds and the Series 2012 B Bonds, and funding the Series 2012 A Bonds Reserve Account shall be deposited in or credited to the Series 2012 Bonds Construction Trust Funds established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2012 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, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan

Agreement. The Series 2012 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2012 A 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 2012 A 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, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2012 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

B. The Series 2012 B Bonds shall be issued in such principal amount; shall not bear interest; 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 2012 B Bonds shall be forgivable as to principal.

Unless otherwise provided by the Supplemental Resolution, the Series 2012 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, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2012 B Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds shall cease to be such officer of the Issuer before the

Series 2012 A Bonds and the Series 2012 B 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 such Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2012 A Bond nor Series 2012 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 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 2012 A Bond or Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2012 A Bonds and the Series 2012 B Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Series 2012 A Bonds and the Series 2012 B Bonds.

The registered Series 2012 A Bonds and the Series 2012 B Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bond or Series 2012 B 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, register and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2012 A Bonds and the Series 2012 B Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2012 A Bonds and the Series 2012 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Prior Bonds, the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2012 A Bonds and the Series 2012 B Bonds to the original purchasers upon receipt of the documents set forth below:

(i) If other than the Authority, a list of the names in which the Series 2012 A Bonds and the Series 2012 B Bonds are to be registered upon

original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(ii) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2012 A Bonds and the Series 2012 B Bonds to the original purchasers;

(iii) An executed and certified copy of the Bond Legislation;

(iv) An executed copy of the Loan Agreement; and

(v) The unqualified approving opinion of bond counsel on the Series 2012 A Bonds and the Series 2012 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 2012 A Bonds and the Series 2012 B Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2012 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 2012 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2012, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20__, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference, with interest payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing _____ 1, 20___ to and including _____ 1, 20____, at the rate of 1/2% per annum as set forth on EXHIBIT B attached hereto.

The Administrative Fee of 1/2% (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20__, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), 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 BPH, dated _____, 2012.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay costs of issuance for the Bonds (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2012, and a Supplemental Resolution duly adopted by the Issuer on _____, 2012 (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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE ISSUER'S: (I) WATER REVENUE BOND, SERIES 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); AND (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2012 B (WEST VIRGINIA DWTRF PROGRAM), DATED _____, 2012, ISSUED SIMULTANEOUSLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2012 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 2012 B Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2012 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2012 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 and the Series 2012 B Bonds; provided however, that so long as there exists in the Series 2012 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 Prior Bonds and the Series 2012 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 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: _____, 2012.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

(FORM OF SERIES 2012 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2012 B
(WEST VIRGINIA DWTRF PROGRAM)

No. BR-1 $_____

KNOW ALL MEN BY THESE PRESENTS: That on this ____ day of _____, 2012, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference. This Bond shall bear no interest. The principal amounts will be deemed forgiven on the 30th day of June of the fiscal year in which advanced. The Bond shall be deemed no longer outstanding after the last advance is forgiven. This Bond shall not be subject to the DWTRF Administrative fee (as defined in the hereinafter describe Bond Legislation).

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 Bureau for Public Health (the "BPH"), 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 BPH, dated _____, 2012.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance for the Bonds (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on _____, 2012, and a Supplemental Resolution duly adopted by the Issuer on _____, 2012 (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: (I) WATER REVENUE BOND, SERIES 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); AND (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), DATED _____, 2012, ISSUED SIMULTANEOUSLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2012 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 2012 A Bonds, and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2012 A Bonds; provided however, that so long as there exists in the respective reserve accounts an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 2012 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of The Huntington

National Bank, Charleston, West Virginia (the "Registrar") by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2012.

THE HUNTINGTON NATIONAL BANK,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

(Form of)

ASSIGNMENT

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

Dated: _____, 20_____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2012 A Bonds and the Series 2012 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the BPH the respective amended schedules 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) Renewal and Replacement Fund (established by the Prior Resolution); and

(3) Series 2012 Bonds Construction Trust 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 the 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 1997 A Bonds Sinking Fund (established by Prior Resolution);

(2) Series 1997 A Bonds Reserve Account (established by Prior Resolution);

(3) Series 2010 A Bonds Sinking Fund (established by Prior Resolution);

(4) Series 2010 A Bonds Reserve Account (established by Prior Resolution);

(5) Series 2012 A Bonds Sinking Fund; and

(6) Series 2012 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 monies at any time on deposit in the Revenue Fund shall be disposed of only in the following order of priority:

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

(2) The Issuer shall next, each month, simultaneously on or before the due date, transfer from the Revenue Fund and remit to (i) the Commission the amounts required by Prior Resolutions to pay interest on the Series 1997 A Bonds and Series 2010 A Bonds (ii) the National Finance Office the amounts required by the Prior Resolutions to pay interest on the RUS Bonds; and (iii) commencing 4 months prior to the first date of payment of interest on the Series 2012 A Bonds, for which interest has not been capitalized or as required in the Loan Agreement, for deposit in the Series 2012 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 2012 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2012 A Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, each month, simultaneously (i) on or before the due date, transfer from the Revenue Fund and remit to the Commission the amounts required by Prior Resolutions to pay principal on the Series 1997 A Bonds and Series 2010 A Bonds; (ii) on or before the due date, transfer from the Revenue Fund and remit to the National Finance Office the amounts required by Prior Resolutions to pay principal on the RUS Bonds; and (iii) on the first day of each month, remit to the

Commission, commencing 4 months prior to the first date of payment of principal of the Series 2012 A Bonds, for deposit in the Series 2012 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2012 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 2012 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit (i) to the Commission the amounts required by the Prior Resolutions to be deposited in the Reserve Account for the Series 1997 A Bonds and Series 2010 A Bonds; and (ii) to the Commission, commencing 4 months prior to the first date of payment of principal of the Series 2012 A Bonds, if not fully funded upon issuance of the Series 2012 A Bonds, for deposit in the Series 2012 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2012 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2012 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 2012 A Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund to 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 Accounts. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and 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 accounts have not, as of the date of determination of a deficiency, funded such accounts 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 2012 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2012 A Bonds. Monies in the Series 2012 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2012 A Bonds when other monies in the Series 2012 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2012 A Bonds Sinking Fund, and the Series 2012 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2012 Bonds Construction Trust Funds, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2012 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2012 A Bonds Reserve Account which result in a reduction in the balance of the Series 2012 A Bonds Reserve Account to below the Series 2012 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 Prior Bonds, Series 2012 A Bonds and the Series 2012 B 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 thereof.

The Issuer shall not be required to make any further payments into the Series 2012 A Bonds Sinking Fund or the Series 2012 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2012 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 parity and pro rata, with respect to the Prior Bonds, the Series 2012 A Bonds and the Series 2012 B Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2012 A Bonds Sinking Fund and the Series 2012 A Bonds Reserve Account, created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. The Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2012 A Bonds Sinking Fund and the Series 2012 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2012 A Bonds Sinking Fund and the Series 2012 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2012 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest and reserve account payments with respect to the Series 2012 A Bonds and the Series 2012 B Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the Administrative Fee, if any, as set forth in the Schedule Y attached to the Loan Agreement for the Series 2012 Bonds.

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 and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

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

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

Section 5.03 and the relevant provisions of the Prior Resolution, 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 2012 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 2012 A Bonds and the Series 2012 B Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2012 A Bonds, there shall first be deposited with the Commission in the Series 2012 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 2012 A Bonds for the period commencing on the date of issuance of the Series 2012 A Bonds and ending 6 months after the estimated date of completion of the Project.

B. Next, from the proceeds of the Series 2012 A Bonds, there shall next be deposited with the Commission in the Series 2012 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2012 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2012 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2012 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2012 A Bonds.

D. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2012 B Bonds, such monies shall be deposited with the Depository Bank in the Series 2012 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2012 B Bonds.

E. 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 2012 Bonds shall be applied as directed by the BPH.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the BPH a report listing the specific purposes for which the proceeds of the Series 2012 Bonds will be expended and the disbursement procedures for such proceeds. Payments for the costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2012 Bonds Construction Trust Fund shall be made only after submission to and approval from the BPH, of

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement for the Series 2012 Bonds, and

(2) a certificate, signed by an Authorized Officer, as appropriate 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 2012 Bonds Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

## ARTICLE VII

## ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2012 A Bonds and the Series 2012 B Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Series 2012 A Bonds or the Series 2012 B Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 2012 A Bonds or the Series 2012 B Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of the Series 2012 A Bonds and the Series 2012 B Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on 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 2012 A Bonds, the Series 2012 B 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 and the Issuer shall supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall supply a certificate of certified public accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Recommended Decision dated May 4, 2012, which became a Final Order on May 24, 2012, in Case No. 11-1435-PWD-CN of the Public Service Commission of West Virginia

So long as the Series 2012 A Bonds and the Series 2012 B Bonds are Outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates, fees and charges initially established for the System in connection with the Series 2012 A Bonds and the Series 2012 B Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

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

long as the Series 2012 A Bonds and the Series 2012 B Bonds are Outstanding and except as otherwise required by law or with the written consent of the Authority and the BPH, 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 2012 A Bonds and the Series 2012 B Bonds, immediately be remitted to the Commission for deposit in the Series 2012 A Bonds Sinking Fund, and, with the written permission of the Authority and the BPH, or, in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2012 A Bonds. Any balance remaining after the payment of the Series 2012 A Bonds and interest, if any, thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000, but not in excess of $50,000, the Issuer shall first, 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 derived from any such sale, lease or other disposition of such property 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 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 2012 A Bonds and the Series 2012 B Bonds. All obligations issued by the Issuer after the issuance of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 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 2012 A Bonds and the Series 2012 B Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the BPH under the conditions and in the manner herein provided (unless less restrictive than the provisions of the Prior Resolution).

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2012 A Bonds and the Series 2012 B Bonds.

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

So long as the RUS Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds 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 foregoing limitation may be waived or modified by the written consent of the Holders of the RUS Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the RUS Bonds are no longer Outstanding, the following parity requirement shall be met:

So long as the Series 1997 A Bonds, Series 2010 A Bonds or Series 2012 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 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 (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of issuance of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond over any other Bond. The

Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 2012 A Bonds and the Series 2012 B 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 2012A Bonds and the Series 2012 B Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the BPH, 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 BPH such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the BPH, 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 and commencement of operation of the Project, 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 BPH, the Authority, or any other original purchaser of the Series 2012 A Bonds and the Series 2012 B Bonds, and shall mail in each year to any Holder or Holders of the Series 2012 A Bonds and the Series 2012 B Bonds and the Consulting Engineer, 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 (and to the extent legally required in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2012 A Bonds and the Series 2012 B Bonds, and shall submit said report to the Authority, or any other original purchaser of the Series 2012 A Bonds and the Series 2012 B Bonds. Such audit report submitted to the Authority shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall permit the Authority and the BPH, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction and commencement of operation of the Project, the Issuer shall also provide the Authority and the BPH, 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 Purchaser, the Authority and the BPH with respect to the System pursuant to the Act.

The Issuer shall provide the BPH with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit D of the Loan Agreement for the Series 2012 B Bonds or as promulgated from time to time.

Section 7.09. Rates. Prior to the issuance of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 A Bonds and the Series 2012 B Bonds, including the Prior Bonds; provided that, in the event amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 2012 A Bonds Reserve Account and any reserve accounts for obligations on a parity with the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 A Bonds and the Series 2012 B 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 BPH within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the BPH and to any Holder of any Bonds,

who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her, 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 BPH and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

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

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the BPH, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the BPH is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the DWTRF Regulations, to the Issuer within 60 days of the completion of the Project. The Issuer shall notify the BPH in writing of such receipt.

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

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

The Issuer will serve the additional customers at the location(s) as set forth in Certificate of Engineer. The Issuer will not reduce the amount of additional customers served by the project without the prior written approval of the Board of the Water

Development Authority. Following completion of the Project the Issuer will certify to the Authority the number of customers added to the System.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2012 A Bonds and the Series 2012 B Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such workers' compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the BPH 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, Operation and Maintenance of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards. The Issuer shall take all steps to properly operate and maintain the System and make the necessary replacements due to normal wear and tear so long as the Series 2012 A Bonds and the Series 2012 B Bonds are outstanding.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the West Virginia Infrastructure and Jobs Development Council necessary for the financing, acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2012 A Bonds and the Series 2012 B Bonds required by State law, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect.

Section 7.18. Reserved.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds, which statutory mortgage lien shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Loan Agreement attached hereto as Exhibit A is incorporated herein in its entirety. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the BPH with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules, regulations, the applicable Cross Cutter Authorities and all applicable local ordinances issued by the Authority, the BPH or other state, federal

or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

The Issuer shall perform an annual maintenance audit which maintenance audit shall be submitted to the Authority and the Public Service Commission of West Virginia in the manner prescribed by and the guidelines established by the Authority and the Public Service Commission of West Virginia.

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

Section 7.22. Contracts; Change Orders; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2012 A Bonds and the Series 2012 B 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 BPH for written approval. The Issuer shall obtain the written approval of the BPH before expending any proceeds of the Series 2012 A Bonds and the Series 2012 B Bonds held in "contingency" as set forth in the respective schedules attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the BPH before expending any proceeds of the Series 2012 A Bonds and the Series 2012 B Bonds made available due to bid or construction or project underruns.

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

## ARTICLE VIII

## INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2012 A Bonds and the Series 2012 B Bonds are Outstanding and as long thereafter as necessary to assure the exclusion of interest, if any, on the Series 2012 A Bonds and the Series 2012 B 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 2012 Bonds as a condition to issuance of the Series 2012 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 2012 Bonds as may be necessary in order to maintain the status of the Series 2012 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 2012 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 BPH, as the case may be, from which the proceeds of the Series 2012 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, 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 2012 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2012 A Bonds and the Series 2012 B Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar or any other Paying Agent or a Holder of a Bond; or

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2012 A Bonds and the Series 2012 B 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 Series 2012 A Bonds and the Series 2012 B Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2012 A Bonds and the Series 2012 B Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2012 A Bonds and the Series 2012 B Bonds shall be on a parity with each other and with those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of the Series 2012 A Bonds and the Series 2012 B Bonds 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 the Series 2012 A Bonds and the Series 2012 B Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2012 A Bonds and the Series 2012 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2012 A Bonds and the Series 2012 B Bonds from gross income for federal income tax purposes.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2012 A Bonds and the Series 2012 B Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B Bonds shall be made without the consent in writing of the Registered Owners of the Series 2012 A Bonds and the Series 2012 B 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 Series 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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 2012 A Bonds and the Series 2012 B 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. Notices. All notices to be sent to the Issuer, the Authority or the BPH shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:

Preston County Public Service District No. 4
Post Office Box 370
Bruceton Mills, West Virginia 26525
Attention: Chairman

AUTHORITY:

Water Development Authority
1009 Bullitt Street
Charleston, West Virginia 25031
Attention: Director

BPH:

West Virginia Bureau for Public Health
350 Capitol Street, Room 313
Charleston, West Virginia 25301
Attention: Environmental Engineering

All notices to be sent to the BPH hereunder, shall also be sent to the Authority.

Section 11.06. Conflicting Provisions Repealed; Prior Resolution. Except for the Prior Resolution, all orders, ordinances or resolutions, or parts thereof, in conflict with the provisions of this Resolution are to the extent of such conflict, hereby repealed; provided that, this Section shall not be applicable to the Prior Resolution. 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 11.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body

were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

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

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Adopted this 13th day of November, 2012.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 13th day of November, 2012.

Dated: November 21, 2012.

[SEAL]

James R. Summers

Secretary

723800.00011

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds, Series 2012 A
(West Virginia DWTRF Program); and
Water Revenue Bonds, Series 2012 B
(West Virginia DWTRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM) AND WATER REVENUE BONDS, SERIES 2012 B (WEST VIRGINIA DWTRF PROGRAM) OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING AND APPROVING 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 Preston County Public Service District No. 4 (the "Issuer") has duly and officially adopted a bond resolution, on November 13, 2012 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $3,903,853 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), AND NOT MORE THAN $605,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2012 B (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL

DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING THE 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 meanings set forth in the Bond Resolution when used herein;

WHEREAS, the Bond Resolution provides for the issuance of the Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), of the Issuer (the "Series 2012 A Bonds"), in the aggregate principal amount not to exceed $3,903,853; and Water Revenue Bonds, Series 2012 B (West Virginia DWTRF Program), of the Issuer (the "Series 2012 B Bonds"), in the aggregate principal amount not to exceed $605,000 (collectively the "Series 2012 Bonds" or the "Bonds") and has authorized the execution and delivery of the Loan Agreement relating to the Series 2012 Bonds, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A and Chapter 16, Article 13C 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 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 amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates and the sale prices of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4:

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 Water Revenue Bonds, Series 2012 A (West Virginia DWTRF Program), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of $3,903,853. The Series 2012 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2044, and shall bear interest at the rate of 1/2% per annum, payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2014 to and including March 1, 2044. The principal of the Series 2012 A Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2014, and to and including

March 1, 2044, 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 2012 A Bonds. The Series 2012 A Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, 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 2012 A Bonds. The Administrative Fee of 1/2% (as defined in the Bond Legislation) on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2014.

Section 2. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2012 B (West Virginia DWTRF Program), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $605,000. The Series 2012 B Bonds shall be dated the date of delivery thereof and shall bear no interest. The principal amounts advanced of the Series 2012 B Bonds shall be deemed forgiven on the 30th day of June in the fiscal year in which advances. The Series 2012 B Bonds shall be deemed forgiven when the last advance is forgiven. The Series 2012 B Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, 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 2012 B Bonds. The Series 2012 B Bonds are not subject to the Administrative Fee.

Section 3. 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 4. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, including all schedules and exhibits attached thereto, copies of which are incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the BPH and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon; provided that, the proceeds of the Bonds will be advanced from time to time as requisitioned by the Issuer.

Section 5. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 6. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Bond Resolution.

Section 7. The Issuer does hereby appoint and designate Clear Mountain Bank, Bruceton Mills, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 8. Series 2012 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2012 A Bonds Sinking Fund, as capitalized interest.

Section 9. Series 2012 A Bonds proceeds in the amount of $-0- shall be deposited in the Series 2012 A Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 2012 A Bonds shall be deposited in or credited to the Series 2012 Bonds Construction Trust Funds as received from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2012 Bonds and related costs.

Section 11. The proceeds of the Series 2012 B Bonds shall be deposited in or credited to the Series 2012 Bonds Construction Trust Fund as received from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2012 Bonds and related costs.

Section 12. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about November 21, 2012.

Section 13. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 14. The Issuer does hereby ratify, approve and accept all contracts relating to the financing, acquisition and construction of the Project.

Section 15. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Bonds.

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

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Adopted this 13th day of November, 2012.

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

By: Robert A Bailey
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on the 13th day of November, 2012.

Dated: November 21, 2012.

[SEAL]

James R. Summers
Secretary

723800.00011

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BOND, SERIES 2012 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1 $3,903,853

KNOW ALL MEN BY THESE PRESENTS: That on this 21st day of November, 2012, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston 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 THREE MILLION NINE HUNDRED THREE THOUSAND EIGHT HUNDRED FIFTY-THREE DOLLARS ($3,903,853), 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, 2014, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference, with interest payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing June 1, 2014 to and including March 1, 2044, at the rate of 1/2% per annum as set forth on EXHIBIT B attached hereto.

The Administrative Fee of 1/2% (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2014, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH"), 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 BPH, dated November 21, 2012.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (ii) to pay costs of issuance for the Bonds (the "Bonds") and related costs. The

existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on November 13, 2012, and a Supplemental Resolution duly adopted by the Issuer on November 13, 2012 (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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE ISSUER'S: (I) WATER REVENUE BOND, SERIES 1987 (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); AND (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2012 B (WEST VIRGINIA DWTRF PROGRAM), DATED NOVEMBER 21, 2012, ISSUED SIMULTANEOUSLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $605,000 (THE "SERIES 2012 B BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 2012 B Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2012 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest, if any, hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2012 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 and the Series 2012 B Bonds; provided however, that so long as

there exists in the Series 2012 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 Prior Bonds and the Series 2012 B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

Robert A Bailey
Chairman

ATTEST:

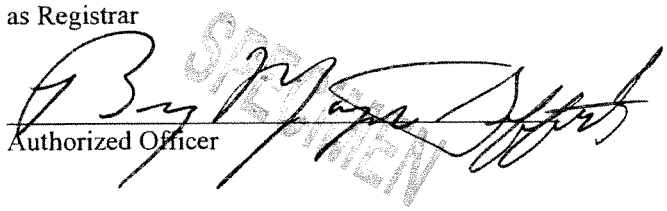
James R. Summers
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 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: November 21, 2012.

THE HUNTINGTON NATIONAL BANK,
as Registrar




Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT | DATE |
|---|---|---|---|
| (1) $417,650 | 11/21/2012 | (19) | |
| (2) | | (20) | |
| (3) | | (21) | |
| (4) | | (22) | |
| (5) | | (23) | |
| (6) | | (24) | |
| (7) | | (25) | |
| (8) | | (26) | |
| (9) | | (27) | |
| (10) | | (28) | |
| (11) | | (29) | |
| (12) | | (30) | |
| (13) | | (31) | |
| (14) | | (32) | |
| (15) | | (33) | |
| (16) | | (34) | |
| (17) | | (35) | |
| (18) | | (36) | |

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

**Net Debt Service**

Preston County PSD No. 4

DWTRF

$3,903,853

0.5% Interest Rate

0.5% Administrative Fee

30 Years

| Date | Principal | Coupon | Interest | Total Debt Service | Admin Fee | Reserve Fund | Net Debt Service |
|---|---|---|---|---|---|---|---|
| 6/1/2014 | 30,173 | 0.500% | 4,879.82 | 35,052.82 | 2,521.18 | 3,505.33 | 41,079.33 |
| 9/1/2014 | 30,211 | 0.500% | 4,842.10 | 35,053.10 | 2,521.18 | 3,505.33 | 41,079.61 |
| 12/1/2014 | 30,249 | 0.500% | 4,804.34 | 35,053.34 | 2,521.18 | 3,505.33 | 41,079.85 |
| 3/1/2015 | 30,287 | 0.500% | 4,766.53 | 35,053.53 | 2,521.18 | 3,505.33 | 41,080.04 |
| 6/1/2015 | 30,325 | 0.500% | 4,728.67 | 35,053.67 | 2,521.18 | 3,505.33 | 41,080.18 |
| 9/1/2015 | 30,362 | 0.500% | 4,690.76 | 35,052.76 | 2,521.18 | 3,505.33 | 41,079.27 |
| 12/1/2015 | 30,400 | 0.500% | 4,652.81 | 35,052.81 | 2,521.18 | 3,505.33 | 41,079.32 |
| 3/1/2016 | 30,438 | 0.500% | 4,614.81 | 35,052.81 | 2,521.18 | 3,505.33 | 41,079.32 |
| 6/1/2016 | 30,476 | 0.500% | 4,576.76 | 35,052.76 | 2,521.18 | 3,505.33 | 41,079.27 |
| 9/1/2016 | 30,515 | 0.500% | 4,538.67 | 35,053.67 | 2,521.18 | 3,505.33 | 41,080.18 |
| 12/1/2016 | 30,553 | 0.500% | 4,500.52 | 35,053.52 | 2,521.18 | 3,505.33 | 41,080.03 |
| 3/1/2017 | 30,591 | 0.500% | 4,462.33 | 35,053.33 | 2,521.18 | 3,505.33 | 41,079.84 |
| 6/1/2017 | 30,629 | 0.500% | 4,424.09 | 35,053.09 | 2,521.18 | 3,505.33 | 41,079.60 |
| 9/1/2017 | 30,667 | 0.500% | 4,385.81 | 35,052.81 | 2,521.18 | 3,505.33 | 41,079.32 |
| 12/1/2017 | 30,706 | 0.500% | 4,347.47 | 35,053.47 | 2,521.18 | 3,505.33 | 41,079.98 |
| 3/1/2018 | 30,744 | 0.500% | 4,309.09 | 35,053.09 | 2,521.18 | 3,505.33 | 41,079.60 |
| 6/1/2018 | 30,783 | 0.500% | 4,270.66 | 35,053.66 | 2,521.18 | 3,505.33 | 41,080.17 |
| 9/1/2018 | 30,821 | 0.500% | 4,232.18 | 35,053.18 | 2,521.18 | 3,505.33 | 41,079.69 |
| 12/1/2018 | 30,860 | 0.500% | 4,193.65 | 35,053.65 | 2,521.18 | 3,505.33 | 41,080.16 |
| 3/1/2019 | 30,898 | 0.500% | 4,155.08 | 35,053.08 | 2,521.18 | 3,505.33 | 41,079.59 |
| 6/1/2019 | 30,937 | 0.500% | 4,116.46 | 35,053.46 | 2,521.18 | 3,505.33 | 41,079.97 |
| 9/1/2019 | 30,975 | 0.500% | 4,077.79 | 35,052.79 | 2,521.18 | 3,505.33 | 41,079.30 |
| 12/1/2019 | 31,014 | 0.500% | 4,039.07 | 35,053.07 | 2,521.18 | 3,505.33 | 41,079.58 |
| 3/1/2020 | 31,053 | 0.500% | 4,000.30 | 35,053.30 | 2,521.18 | 3,505.33 | 41,079.81 |
| 6/1/2020 | 31,092 | 0.500% | 3,961.48 | 35,053.48 | 2,521.18 | 3,505.33 | 41,079.99 |
| 9/1/2020 | 31,131 | 0.500% | 3,922.62 | 35,053.62 | 2,521.18 | 3,505.33 | 41,080.13 |
| 12/1/2020 | 31,170 | 0.500% | 3,883.70 | 35,053.70 | 2,521.18 | 3,505.33 | 41,080.21 |
| 3/1/2021 | 31,208 | 0.500% | 3,844.74 | 35,052.74 | 2,521.18 | 3,505.33 | 41,079.25 |
| 6/1/2021 | 31,248 | 0.500% | 3,805.73 | 35,053.73 | 2,521.18 | 3,505.33 | 41,080.24 |
| 9/1/2021 | 31,287 | 0.500% | 3,766.67 | 35,053.67 | 2,521.18 | 3,505.33 | 41,080.18 |
| 12/1/2021 | 31,326 | 0.500% | 3,727.56 | 35,053.56 | 2,521.18 | 3,505.33 | 41,080.07 |
| 3/1/2022 | 31,365 | 0.500% | 3,688.41 | 35,053.41 | 2,521.18 | 3,505.33 | 41,079.92 |
| 6/1/2022 | 31,404 | 0.500% | 3,649.20 | 35,053.20 | 2,521.18 | 3,505.32 | 41,079.70 |
| 9/1/2022 | 31,443 | 0.500% | 3,609.94 | 35,052.94 | 2,521.18 | 3,505.32 | 41,079.44 |
| 12/1/2022 | 31,483 | 0.500% | 3,570.64 | 35,053.64 | 2,521.18 | 3,505.32 | 41,080.14 |
| 3/1/2023 | 31,522 | 0.500% | 3,531.29 | 35,053.29 | 2,521.18 | 3,505.32 | 41,079.79 |
| 6/1/2023 | 31,561 | 0.500% | 3,491.88 | 35,052.88 | 2,521.18 | 3,505.32 | 41,079.38 |
| 9/1/2023 | 31,601 | 0.500% | 3,452.43 | 35,053.43 | 2,521.18 | 3,505.32 | 41,079.93 |
| 12/1/2023 | 31,640 | 0.500% | 3,412.93 | 35,052.93 | 2,521.18 | 3,505.32 | 41,079.43 |
| 3/1/2024 | 31,680 | 0.500% | 3,373.38 | 35,053.38 | 2,521.18 | 3,505.32 | 41,079.88 |
| 6/1/2024 | 31,719 | 0.500% | 3,333.78 | 35,052.78 | 2,521.18 | | 37,573.96 |
| 9/1/2024 | 31,759 | 0.500% | 3,294.13 | 35,053.13 | 2,521.18 | | 37,574.31 |
| 12/1/2024 | 31,799 | 0.500% | 3,254.43 | 35,053.43 | 2,521.18 | | 37,574.61 |
| 3/1/2025 | 31,839 | 0.500% | 3,214.69 | 35,053.69 | 2,521.18 | | 37,574.87 |
| 6/1/2025 | 31,878 | 0.500% | 3,174.89 | 35,052.89 | 2,521.18 | | 37,574.07 |
| 9/1/2025 | 31,918 | 0.500% | 3,135.04 | 35,053.04 | 2,521.18 | | 37,574.22 |

**Net Debt Service**

Preston County PSD No. 4

DWTRF

$3,903,853

0.5% Interest Rate

0.5% Administrative Fee

30 Years

| Date | Principal | Coupon | Interest | Total Debt Service | Admin Fee | Reserve Fund | Net Debt Service |
|---|---|---|---|---|---|---|---|
| 12/1/2025 | 31,958 | 0.500% | 3,095.14 | 35,053.14 | 2,521.18 | | 37,574.32 |
| 3/1/2026 | 31,998 | 0.500% | 3,055.19 | 35,053.19 | 2,521.18 | | 37,574.37 |
| 6/1/2026 | 32,038 | 0.500% | 3,015.20 | 35,053.20 | 2,521.18 | | 37,574.38 |
| 9/1/2026 | 32,078 | 0.500% | 2,975.15 | 35,053.15 | 2,521.18 | | 37,574.33 |
| 12/1/2026 | 32,118 | 0.500% | 2,935.05 | 35,053.05 | 2,521.18 | | 37,574.23 |
| 3/1/2027 | 32,158 | 0.500% | 2,894.90 | 35,052.90 | 2,521.18 | | 37,574.08 |
| 6/1/2027 | 32,199 | 0.500% | 2,854.71 | 35,053.71 | 2,521.18 | | 37,574.89 |
| 9/1/2027 | 32,239 | 0.500% | 2,814.46 | 35,053.46 | 2,521.18 | | 37,574.64 |
| 12/1/2027 | 32,279 | 0.500% | 2,774.16 | 35,053.16 | 2,521.18 | | 37,574.34 |
| 3/1/2028 | 32,319 | 0.500% | 2,733.81 | 35,052.81 | 2,521.18 | | 37,573.99 |
| 6/1/2028 | 32,360 | 0.500% | 2,693.41 | 35,053.41 | 2,521.18 | | 37,574.59 |
| 9/1/2028 | 32,400 | 0.500% | 2,652.96 | 35,052.96 | 2,521.18 | | 37,574.14 |
| 12/1/2028 | 32,441 | 0.500% | 2,612.46 | 35,053.46 | 2,521.18 | | 37,574.64 |
| 3/1/2029 | 32,481 | 0.500% | 2,571.91 | 35,052.91 | 2,521.18 | | 37,574.09 |
| 6/1/2029 | 32,522 | 0.500% | 2,531.31 | 35,053.31 | 2,521.18 | | 37,574.49 |
| 9/1/2029 | 32,563 | 0.500% | 2,490.66 | 35,053.66 | 2,521.18 | | 37,574.84 |
| 12/1/2029 | 32,603 | 0.500% | 2,449.95 | 35,052.95 | 2,521.18 | | 37,574.13 |
| 3/1/2030 | 32,644 | 0.500% | 2,409.20 | 35,053.20 | 2,521.18 | | 37,574.38 |
| 6/1/2030 | 32,685 | 0.500% | 2,368.39 | 35,053.39 | 2,521.18 | | 37,574.57 |
| 9/1/2030 | 32,726 | 0.500% | 2,327.54 | 35,053.54 | 2,521.18 | | 37,574.72 |
| 12/1/2030 | 32,767 | 0.500% | 2,286.63 | 35,053.63 | 2,521.18 | | 37,574.81 |
| 3/1/2031 | 32,808 | 0.500% | 2,245.67 | 35,053.67 | 2,521.18 | | 37,574.85 |
| 6/1/2031 | 32,849 | 0.500% | 2,204.66 | 35,053.66 | 2,521.18 | | 37,574.84 |
| 9/1/2031 | 32,890 | 0.500% | 2,163.60 | 35,053.60 | 2,521.18 | | 37,574.78 |
| 12/1/2031 | 32,931 | 0.500% | 2,122.49 | 35,053.49 | 2,521.18 | | 37,574.67 |
| 3/1/2032 | 32,972 | 0.500% | 2,081.32 | 35,053.32 | 2,521.18 | | 37,574.50 |
| 6/1/2032 | 33,013 | 0.500% | 2,040.11 | 35,053.11 | 2,521.18 | | 37,574.29 |
| 9/1/2032 | 33,054 | 0.500% | 1,998.84 | 35,052.84 | 2,521.18 | | 37,574.02 |
| 12/1/2032 | 33,096 | 0.500% | 1,957.53 | 35,053.53 | 2,521.18 | | 37,574.71 |
| 3/1/2033 | 33,137 | 0.500% | 1,916.16 | 35,053.16 | 2,521.18 | | 37,574.34 |
| 6/1/2033 | 33,179 | 0.500% | 1,874.73 | 35,053.73 | 2,521.18 | | 37,574.91 |
| 9/1/2033 | 33,220 | 0.500% | 1,833.26 | 35,053.26 | 2,521.18 | | 37,574.44 |
| 12/1/2033 | 33,261 | 0.500% | 1,791.74 | 35,052.74 | 2,521.18 | | 37,573.92 |
| 3/1/2034 | 33,303 | 0.500% | 1,750.16 | 35,053.16 | 2,521.18 | | 37,574.34 |
| 6/1/2034 | 33,345 | 0.500% | 1,708.53 | 35,053.53 | 2,521.18 | | 37,574.71 |
| 9/1/2034 | 33,386 | 0.500% | 1,666.85 | 35,052.85 | 2,521.18 | | 37,574.03 |
| 12/1/2034 | 33,428 | 0.500% | 1,625.12 | 35,053.12 | 2,521.18 | | 37,574.30 |
| 3/1/2035 | 33,470 | 0.500% | 1,583.33 | 35,053.33 | 2,521.18 | | 37,574.51 |
| 6/1/2035 | 33,512 | 0.500% | 1,541.49 | 35,053.49 | 2,521.18 | | 37,574.67 |
| 9/1/2035 | 33,554 | 0.500% | 1,499.60 | 35,053.60 | 2,521.18 | | 37,574.78 |
| 12/1/2035 | 33,596 | 0.500% | 1,457.66 | 35,053.66 | 2,521.18 | | 37,574.84 |
| 3/1/2036 | 33,638 | 0.500% | 1,415.67 | 35,053.67 | 2,521.18 | | 37,574.85 |
| 6/1/2036 | 33,680 | 0.500% | 1,373.62 | 35,053.62 | 2,521.18 | | 37,574.80 |
| 9/1/2036 | 33,722 | 0.500% | 1,331.52 | 35,053.52 | 2,521.18 | | 37,574.70 |
| 12/1/2036 | 33,764 | 0.500% | 1,289.37 | 35,053.37 | 2,521.18 | | 37,574.55 |
| 3/1/2037 | 33,806 | 0.500% | 1,247.16 | 35,053.16 | 2,521.18 | | 37,574.34 |

**Net Debt Service**

Preston County PSD No. 4

DWTRF

$3,903,853

0.5% Interest Rate

0.5% Administrative Fee

30 Years

| Date | Principal | Coupon | Interest | Total Debt Service | Admin Fee | Reserve Fund | Net Debt Service |
|---|---|---|---|---|---|---|---|
| 6/1/2037 | 33,848 | 0.500% | 1,204.90 | 35,052.90 | 2,521.18 | | 37,574.08 |
| 9/1/2037 | 33,891 | 0.500% | 1,162.59 | 35,053.59 | 2,521.18 | | 37,574.77 |
| 12/1/2037 | 33,933 | 0.500% | 1,120.23 | 35,053.23 | 2,521.18 | | 37,574.41 |
| 3/1/2038 | 33,975 | 0.500% | 1,077.81 | 35,052.81 | 2,521.18 | | 37,573.99 |
| 6/1/2038 | 34,018 | 0.500% | 1,035.35 | 35,053.35 | 2,521.18 | | 37,574.53 |
| 9/1/2038 | 34,060 | 0.500% | 992.82 | 35,052.82 | 2,521.18 | | 37,574.00 |
| 12/1/2038 | 34,103 | 0.500% | 950.25 | 35,053.25 | 2,521.18 | | 37,574.43 |
| 3/1/2039 | 34,146 | 0.500% | 907.62 | 35,053.62 | 2,521.18 | | 37,574.80 |
| 6/1/2039 | 34,188 | 0.500% | 864.94 | 35,052.94 | 2,521.18 | | 37,574.12 |
| 9/1/2039 | 34,231 | 0.500% | 822.20 | 35,053.20 | 2,521.18 | | 37,574.38 |
| 12/1/2039 | 34,274 | 0.500% | 779.41 | 35,053.41 | 2,521.18 | | 37,574.59 |
| 3/1/2040 | 34,317 | 0.500% | 736.57 | 35,053.57 | 2,521.18 | | 37,574.75 |
| 6/1/2040 | 34,360 | 0.500% | 693.67 | 35,053.67 | 2,521.18 | | 37,574.85 |
| 9/1/2040 | 34,403 | 0.500% | 650.72 | 35,053.72 | 2,521.18 | | 37,574.90 |
| 12/1/2040 | 34,446 | 0.500% | 607.72 | 35,053.72 | 2,521.18 | | 37,574.90 |
| 3/1/2041 | 34,489 | 0.500% | 564.66 | 35,053.66 | 2,521.18 | | 37,574.84 |
| 6/1/2041 | 34,532 | 0.500% | 521.55 | 35,053.55 | 2,521.18 | | 37,574.73 |
| 9/1/2041 | 34,575 | 0.500% | 478.39 | 35,053.39 | 2,521.18 | | 37,574.57 |
| 12/1/2041 | 34,618 | 0.500% | 435.17 | 35,053.17 | 2,521.18 | | 37,574.35 |
| 3/1/2042 | 34,661 | 0.500% | 391.90 | 35,052.90 | 2,521.18 | | 37,574.08 |
| 6/1/2042 | 34,705 | 0.500% | 348.57 | 35,053.57 | 2,521.18 | | 37,574.75 |
| 9/1/2042 | 34,748 | 0.500% | 305.19 | 35,053.19 | 2,521.18 | | 37,574.37 |
| 12/1/2042 | 34,791 | 0.500% | 261.75 | 35,052.75 | 2,521.18 | | 37,573.93 |
| 3/1/2043 | 34,835 | 0.500% | 218.26 | 35,053.26 | 2,521.18 | | 37,574.44 |
| 6/1/2043 | 34,879 | 0.500% | 174.72 | 35,053.72 | 2,521.18 | | 37,574.90 |
| 9/1/2043 | 34,922 | 0.500% | 131.12 | 35,053.12 | 2,521.18 | | 37,574.30 |
| 12/1/2043 | 34,966 | 0.500% | 87.47 | 35,053.47 | 2,521.18 | | 37,574.65 |
| 3/1/2044 | 35,009 | 0.500% | 43.76 | 35,052.76 | 2,521.18 | | 37,573.94 |
| | 3,903,853 | | 302,541.02 | 4,206,394.02 | 302,541.60 | 140,213.12 | 4,649,148.74 |

Notes:

Estimated Monthly Net Debt Service Payments rounded up to the nearest cent:

$13,693.42 March 1, 2014 through February 1, 2024 (based on maximum quarterly payment of $41,080.24)

$12,524.97 March 1, 2024 through February 1, 2044 (based on maximum quarterly payment of $37,574.91)

Admin Fee calculated based on 0.5% of bond value computed quarterly paid in equal quarterly payments rounded up to the nearest cent.

(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:

_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
WATER REVENUE BONDS, SERIES 2012 B
(WEST VIRGINIA DWTRF PROGRAM)

No. BR-1 $605,000

KNOW ALL MEN BY THESE PRESENTS: That on this 21st day of November, 2012, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia in Preston County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of SIX HUNDRED FIVE THOUSAND DOLLARS ($605,000), 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. This Bond shall bear no interest. The principal amounts will be deemed forgiven on the 30th day of June of the fiscal year in which advanced. The Bond shall be deemed no longer outstanding after the last advance is forgiven. This Bond shall not be subject to the DWTRF Administrative Fee (as defined in the hereinafter describe Bond Legislation).

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 Bureau for Public Health (the "BPH"), 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 BPH, dated November 21, 2012.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance for the Bonds (the "Bonds") and related costs. The existing public waterworks system of the Issuer, the Project and any further extensions, additions, betterments and 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 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on November 13, 2012, and a Supplemental Resolution duly adopted by the Issuer on November 13, 2012 (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: (I) WATER REVENUE BOND, SERIES 1987 (UNITED STATES DEPARTMENT OF

AGRICULTURE), DATED MAY 11, 1988, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $370,000 (THE "SERIES 1987 BONDS"); (II) WATER REVENUE BONDS, SERIES 1997 A (WEST VIRGINIA WATER DEVELOPMENT AUTHORITY), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $290,000 (THE "SERIES 1997 A BONDS"); (III) WATER REVENUE BONDS, SERIES 1997 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 7, 1997, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $800,000 (THE "SERIES 1997 B BONDS"); AND (IV) WATER REVENUE BONDS, SERIES 2010 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED DECEMBER 22, 2010, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,030,000 (THE "SERIES 2010 A BONDS") (COLLECTIVELY, THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2012 A (WEST VIRGINIA DWTRF PROGRAM), DATED NOVEMBER 21, 2012, ISSUED SIMULTANEOUSLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $3,903,853 (THE "SERIES 2012 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds and the Series 2012 A Bonds, and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds and the Series 2012 A Bonds; provided however, that so long as there exists in the respective reserve accounts an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the any other obligations outstanding on a parity with the Bonds, including the Prior Bonds and the Series 2012 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated as of the date first written above.

[SEAL]

Robert A. Bailey
Chairman

ATTEST:

James R. Summers
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: November 21, 2012.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

| AMOUNT | DATE | AMOUNT | DATE |
|---|---|---|---|
| (1) $-0- | 11/21/2012 | (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

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

Dated: _____, 20_____.

_____

In the presence of:

_____