

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)**

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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

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(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

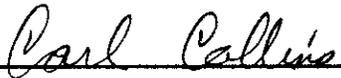
(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the Public Service Commission of West Virginia.

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

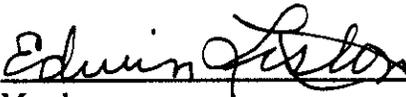
Adopted this 7th day of November, 1997.



Chairman



Member



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.

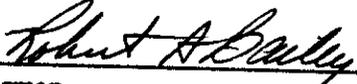
Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank, subject to any limitations of the Government with respect to the proceeds of the Series 1997 B Bonds, in 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.

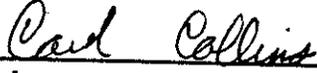
Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 7th day of November, 1997.

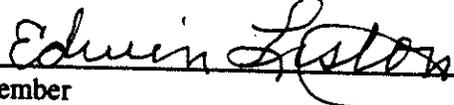
PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4



Chairman



Member



Member

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 7th day of November, 1997.

Dated: November 7, 1997.

[SEAL]

Carl Collins

Secretary

10/29/97
723800/96002

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.

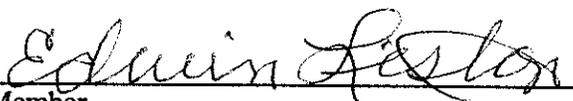
Section 3. This Second Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of March, 1998.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4


Chairman


Member


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

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"), and the governmental agency designated below (the "Governmental Agency").

PRESTON COUNTY PSD #4
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

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

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

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a water development 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 Section 5 of the Act and having available sufficient funds therefor, the Authority is willing 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 proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a certain general revenue bond resolution adopted by the Board of the Authority (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development 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," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto.

1.3 "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.

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

1.5 "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 with a portion of the proceeds of its water development revenue bonds, all in accordance with the provisions of this Loan Agreement.

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

1.7 "Origination Fee" means the fee paid by a Governmental Agency with respect to its participation in the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987, to provide funds for the acquisition and construction of wastewater Projects.

1.8 "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.

1.9 "Project" means the water development 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 or being or having been constructed by the Governmental Agency in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.10 "System" means the water development 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.

1.11 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 having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Division of Natural Resources* (or in the process of preparation by such

* Now administered by the West Virginia Division of Environmental Protection.

Director), has been approved by the West Virginia Bureau of Public Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

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

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

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

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

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation

and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

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

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

Engineers to such effect the form of which certificate is attached hereto as Exhibit A;

(d) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act and the Resolution, and that such refinancing will not cause a violation of any covenant, representation or agreement of the Authority contained in the Resolution or Tax Regulatory Agreement with respect to the exclusion of the interest on the Bonds from gross income of the holder thereof for federal income tax purposes;

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

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

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

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

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the

accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

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

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

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

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

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied

to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

ARTICLE IV

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

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

(b) Covenants substantially as follows:

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

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least

one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or with the written consent of the 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; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

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

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

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

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

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

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

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

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

Authority, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

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

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

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

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

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

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that

term is defined in the Code) from time to time as the Authority may request.

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

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

4.3 An Origination Fee Account shall be established with the Trustee to hold the portion of the proceeds of any Loan established to fund an Origination Fee. Amounts on deposit in an Origination Fee Account shall belong to the Governmental Agency receiving the related Loan, but such amounts may only be disbursed from the Account to pay the Origination Fee as and when required to satisfy the requirements of the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987 or for such other purposes as the Authority may approve in writing.

4.4 The principal of the Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a semiannual basis as provided in said Schedule X.

4.5 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, 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.

4.6 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.

4.7 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for the water development revenue bonds. The Authority shall provide both the Governmental Agency and the trustee for the water development revenue bonds with a schedule of such fees and charges, and the Governmental Agency shall pay such fees and charges on the dates indicated directly to the trustee. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.8 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the Authority's bonds.

4.9 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

ARTICLE V

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

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in

the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the

Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

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

6.4 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Loan.

6.5 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.

6.6 Notwithstanding Section 6.5, 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.

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

6.8 The Governmental Agency hereby agrees to file with the Authority upon completion of acquisition and construction of

the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency are 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 Schedule X 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.

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

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

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

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

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be

specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

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

(ii) termination by the Authority pursuant to Section 6.3 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.

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 PSD #4
[Proper Name of Governmental Agency]

(SEAL)

By: Robert A. Bailey

Its: Chairman

Attest:

Date: November 7, 1997

Carl Collins

Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: James B. Yankovich
Director

Attest:

Date: November 7, 1997

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

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

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the _____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) (ii) of the Loan Agreement, (vi) that the net proceeds of the Bonds, together with all other moneys on deposit or to be

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

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

By: _____
West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

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

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

<u>Year</u>	<u>Installment</u>	<u>Interest Rate</u>
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The Local Bonds are issued for the purpose of _____
_____ and paying certain issuance and other costs
in connection therewith.

We have also examined the applicable provisions of _____
_____ of the Code of West Virginia, 1931, as

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

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - _____

Report Month: _____

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

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

[Name of Governmental Agency]

By: _____
Authorized Officer

ABB0017F

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$ 290,000
Purchase Price of Local Bonds \$ 290,000

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 6.25 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

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

Water Revenue Bonds, Series 1987, issued May 11, 1988, in the original principal amount of \$370,000.

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations:

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
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

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by an outstanding local resolution, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, beginning thirteen (13) months prior to the first date of payment of principal of the Local Bonds, if 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) in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) (or such other amount as shall be acceptable to the Authority and as shall fund the Reserve Account over not more than ten (10) years) 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;
- (iv) to provide debt service on and requisite reserves for any subordinate indebtedness of the Governmental Agency held or owned by the Authority; and

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

SCHEDULE Z

Additional and Supplemental Definitions

1. "Local Statute" means Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended.

2. "System" means the public service properties for the diversion, development, pumping, impounding, treatment, storage, distribution or furnishing of water to or for the public for industrial, public, private or other uses, owned by the Governmental Agency, and any improvements or extensions thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, a permit from the West Virginia Bureau of Public Health.

2. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid.

3. Subject to any prior or parity obligations described in Schedules X and Y attached to the Loan Agreement, the net revenues derived from the operation of the System are pledged to the payment of the principal of and interest on the Local Bonds.

4. The paying agent for the Local Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

5. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall deliver to the Authority a certificate representing the following:

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;
- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and
- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

COPY

April 1, 1996

Robert Bailey, Chairman
Preston County PSD No. 4
Route 2, Box 381
Albright, WV 26519

Dear Mr. Bailey:

This letter, with attachments 1 through 13 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by Rural Development formerly known as Rural Economic and Community Development (RECD) by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The Rural Utilities Service (RUS), Water and Waste Disposal Loan and Grant Program is administered by Rural Development, formerly known as Rural Economic and Community Development (RECD).

This letter is not to be considered as loan and grant approval or as representation to the availability of funds. The docket may be completed on the basis of an RUS loan not to exceed \$800,000, an RUS grant not to exceed \$200,000 and other funding in the amount of \$750,000, for a total project cost of \$1,750,000. The other funding is planned in the form of a Small Cities Block Grant.

If the loan is made, you may make a written request that the interest rate be the lower of the rate in effect at the time of loan approval or the time of loan closing. If you do not request the lower of the two interest rates, the interest rate charged will be the rate in effect at the time of loan approval. The loan will be considered approved on the date a signed copy of Form FmHA 1940-1, "Request for Obligation of Funds," is mailed to you. If you want the lower of the two rates, your written request should be submitted to RUS as soon as practical. In order to avoid possible delays in loan closing, such a request should ordinarily be submitted at least 30 calendar days before loan closing.

Rural Development is an Equal Opportunity lender. Complaints of Discrimination should be sent to: Secretary of Agriculture, Washington, DC 20250

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

- Attachment No. 1 - Final Project Planning Factors (All Copies)
- Attachment No. 2 - Preston County PSD No. 4 Loan and Grant Docket Table of Contents (All Copies)
- Attachment No. 3 - FmHA Instruction 1942-A, Section 1942.17 (Applicant Copy)
- Attachment No. 4 - FmHA Instruction 1942-A, Guide 19 (Engineer Copy)
- Attachment No. 5 - FmHA Instruction 1942-A, Section 1942.19 (Attorney and Bond Counsel Copies)
- Attachment No. 6 - FmHA Supplemental General Conditions (Engineer Copy)
- Attachment No. 7 - Standards for Audit of Governmental Organizations, Programs, Activities and Functions (Accountant's Copy)
- Attachment No. 8 - U. S. Department of Agriculture Farmers Home Administration Audit Program, December 1989 (Accountant's Copy)
- Attachment No. 9 - Preston County PSD No. 4 Water Users Agreement (Applicant and Attorney Copies)
- Attachment No. 10 - Preston County PSD No. 4 Water Purchase Contract (Form FmHA 442-30) (Attorney Copy)
- Attachment No. 11 - Declination Statement (Applicant and Attorney Copies)
- Attachment No. 12 - Sample Credit Agreement (Applicant and Attorney Copies)
- Attachment No. 13 - Various other FmHA Forms as identified on Attachment No. 2.

Your documents concerning the creation of your authority are administratively acceptable; however, they will be further reviewed by our Office of the General Counsel at the time your file is forwarded for closing instructions. Any changes required by our Office of the General Counsel will be included in the closing instructions.

The conditions referred to above are as follows:

1. Loan Repayment - The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only.

Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 5% interest rate and a monthly amortization factor of 0.00491, which provides for a monthly payment of \$3,928.00. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will

allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account in an amount equal to at least 1/10th of your monthly debt service payment.

You are reminded that your authority may be required to refinance (graduate) the unpaid balance of its RUS loan, in whole or in part, upon the request of RUS if at anytime it shall be determined the authority is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time.

2. Security - The loan must be secured by a statutory lien of first priority, a pledge of the system's revenues and other agreements between you and the lender (RUS) as set forth in the bond resolution which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in Form FmHA 1942-31 and Form FmHA 1942-47 which are mentioned later.
3. Users - This conditional commitment is based upon your providing evidence that you will have at least 107 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of signed users agreements and a certification from you that identifies and attests to the number of users that are actually connected to and using the District's existing water system, which is to be expanded by the new system, at the time you request authorization to advertise the proposed project for construction bids.

The enclosed Water Users Agreement will be used. Each user signing an agreement must make a users contribution of \$100.00. Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a service declination statement. Guide 3, FmHA Instruction 1942-A, "Service Declination Statement," a copy of which is enclosed, must be used. If a potential user refuses to sign either a users agreement or a declination statement, the individual making the contact for the District should complete the declination statement for that potential user and note thereon his/her visit with the potential user, the potential user's refusal to sign, and the reason therefore. The declination statement should also be dated and signed by the individual making the contact.

Before RUS can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and that all potential users have been offered the proposed service.

Information and material evidencing the above requirements having been met must be provided for RUS review and verification. Such evidence will as a minimum, consist of (1) signed users agreements, (2) signed or completed Service Declination Statements, (3) records of user contributions being paid, (4) a map locating each potential users property and identifying it by a number, (5) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above, (6) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (4) above.

Information and material evidencing compliance with this requirement must consist of (1) your certification (written) as to the number of users connected to and using the water service of the existing system (paying monthly bills), (2) signed users agreements, (3) signed service declination statements, (4) records evidencing users contributions having been paid, (5) a map locating each potential user's property in the new service area and identifying it by number, (6) a list of all signed bona fide users numbered with corresponding numbers so as to be a cross-reference with the map required by (5) above and, (7) a list of all declination statements numbered with corresponding numbers so as to be a cross-reference with the map required by (5) above.

4. Bond Counsel - The services of a recognized bond counsel are required. The bond counsel will prepare the form of resolution to be used, in accordance with Section 1942.19 of FmHA Instruction 1942-A. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.
5. Professional Services - You must obtain the services of an attorney and an engineer. For your convenience, Guide 14, "Legal Services Agreement" are attached for your use. Attachment No. 1 includes the cost of this service for planning purposes.
6. Facility Control - Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:
 - a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.

- b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form FmHA 1927-9, "Preliminary Title Opinion," may be used. Also, in the case of existing systems or where the District has already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.
 - c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.
 - d. A copy of the right-of-way easements for any rights-of-way needed on private lands. Form FmHA 442-20, "Right-of-Way Easement," may be used. Each easement need not be provided this office; however, each must be available for my review. A copy of the easement being used must be provided.
 - e. A certification and legal opinion relative to title to rights-of-way and easements Form FmHA 442-21, "Right-of-Way Certificate," and Form FmHA 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. These forms may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, new Forms FmHA 442-21 and 442-22 must be provided, which do not provide for any exceptions.
 - f. On the day of loan closing, the District's attorney must furnish final title opinions on all land(s) being acquired. Form FmHA 1927-10, "Final Title Opinion", may be used. In the case of existing systems or where the District has already acquired real property(s) (land or facilities), the District's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.
7. Permits - Copies of all permits needed for the project must be provided for our review prior to advertisement for construction bids. Such permits will include but are not limited to the following:
- West Virginia Department of Highways
 - State Department of Health
 - Public Land Corporation
8. Public Service Commission Approvals - You must obtain the following from the Public Service Commission of West Virginia:

- a. A Certificate of Convenience and Necessity.
- b. Approval of user charges that are acceptable to you and the Rural Economic and Community Development.
- c. Approval of financing for the project's proposed financing arrangements.

The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. 1. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for our review.

9. Accounting - You must obtain the services of a qualified accountant. That accountant must agree (by letter) to develop and provide the following:
 - a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42).
 - b. Prior to advertisement for bids, your accountant must state in writing that he/she will establish your accounts and records in accordance with the requirements of the resolution, and the requirements of the Public Service Commission within 20 days from the notice to do such.
 - c. Prior to the start of construction, the accountant must certify that the accounts and records as required in (b) above have been established and are operational.

A representative of my office will review your accounts and records prior to authorizing the issuance of award(s) to the contractor(s). FmHA regulations (Attachments No. 3) outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements for your District. The attached booklet, "Standards for Audit of Governmental Organizations,

Programs, Activities and Functions," (Attachment No. 7) and "U. S. Department of Agriculture Farmers Home Administration Audit Program," (December 1989) (Attachment No. 8) outlines FmHA Audit requirements. You are reminded that certain provisions of Office and Management and Budget Circular A-128 are applicable to any public body that received \$100,000 or more in federal funds in any one (1) year. You must enter into an agreement annually with an accountant (or the State Tax Commission) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia.

Audit Reports must be prepared to comply with the requirements of OMB Circular A-128 or A-133, as applicable.

10. Insurance and Bonding Requirements:

a. Prior to preliminary loan closing, you must acquire the following insurance and bond coverage:

- (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - \$200,000. The limits of liability coverage noted herein should be considered as suggested amounts only. RUS recommends that you consider analyzing your actual needs in detail before you obtain coverage in a specific amount.
- (2) Worker's Compensation - In accordance with appropriate State laws.
- (3) Position Fidelity Bond(s) - All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The minimum coverage acceptable to RUS will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s). Form FmHA 440-24, "Position Fidelity Bond," may be used.
- (4) National Flood Insurance - In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:
 - (a) If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
 - (b) Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

- (5) Real Property Insurance - Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

11. You are, have been or may be approved to become, a recipient of Federal financial assistance from the United States Department of Agriculture. In the case of Paralyzed Veterans of America, et al, Plaintiff, V. William French Smith, et al, Defendants, United States District Court, Central District of California, No. 79-1979 WPG, the Honorable William P. Gray ordered the United States Department of Agriculture to notify you that as a recipient of such assistance you are required to comply with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794), even though the United States Department of Agriculture has not yet issued final regulations implementing Section 504 of the Rehabilitation Act.

Section 504 of the Rehabilitation Act is designed to assure that those who receive Federal financial assistance will not discriminate against handicapped persons. It provides in relevant part as follows:

"No otherwise qualified handicapped individual in the United States . . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance."

Effective June 3, 1977, the Department of Health and Human Services issued final regulations implementing Section 504 as it applies to recipients of Federal financial assistance from that agency (45 C.F.R. Part 84). You may look to the HHS regulation for guidance as to your obligation under Section 504 of the Rehabilitation Act.

12. Contract Documents, Final Plans and Specifications:

- a. The contract documents should consist of the following:

- (1) FmHA Instruction 1942-A, Guide 19, "Agreement," and Attachments 1-9. (Attachment No. 4) or other agreement approved by RUS.

- (2) Farmers Home Administration Supplemental General Conditions (Guide 18, 4-6-92 Revised WV). One (1) copy of this item is attached hereto (Attachment No. 6). Additional copies must be reproduced by the engineer.
 - b. The Contract documents must provide, as a minimum, the following insurance:
 - (1) Liability Insurance - Personal Liability - \$500,000; Property Damage - \$200,000 - 200,000. (This coverage must include indemnification of the District and its engineer.) FmHA Guide 18 suggests certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.
 - (2) Builder's Risk Insurance - On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.
 - (3) Worker's Compensation - In accordance with applicable State laws.
 - c. The contract documents and final plans and specifications must be submitted to RUS for approval.
 - d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.
13. Interim Financing - Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. The enclosed Sample Credit Agreement (Attachment No. 12) is an acceptable agreement and may be used.
 14. Disbursement of Funds - The RUS funds will be advanced as they are needed in the amount(s) necessary to cover RUS's proportionate share of any disbursements required of your District, over 30 day periods. Any funds not disbursed immediately upon receipt must be deposited in an interest bearing account in accordance with OMB Circular A-133. Interest earned on these funds must be remitted promptly, at least quarterly, to RUS. The District must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RUS.

15. Water Purchase Contract - You propose to purchase treated water from the Town of Bruceton Mills; *Town of Bruceton Mills* therefore, you must enter into a Water Purchase Contract. Form FmHA 442-30 must be used unless you receive an exception from RUS.
16. Other Grants - Prior to advertisement for construction bids, you must provide evidence showing the approval of the other grants. This evidence should include a copy of the grant award. Prior to award of the contract(s) to the contractor(s), you must provide evidence that the "other" grant funds are available for expenditure. This evidence should consist of at least a letter from the grantor stating that funds are available for expenditure.
17. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:
- Form FmHA 442-7 - "Operating Budget"
 - Form FmHA 1940-1 - "Request for Obligation of Funds"
 - Form FmHA 1942-31 - "Association Water or Sewer System Grant Agreement"
 - Form FmHA 1942-47 - "Loan Resolution -- (Public Bodies)"
 - Form FmHA 400-1 - "Equal Opportunity Agreement"
 - Form FmHA 400-4 - "Assurance Agreement"
 - Form AD 1047 - "Certification Regarding Debarment - Primary"
 - Form AD 1049 - "Certification Regarding Drug-Free Workplace"
 - Form FmHA 1910-11 - "Applicant Certification, Federal Collection Policies"
 - FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
 - Standard Form LLL - "Disclosure of Lobbying Activities," (if applicable)
18. The enclosed Loan Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the RUS State Office with a request for loan closing instructions to be issued.
19. Upon receipt of the loan and grant docket, which contains all the items required above, RUS may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RUS with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards.

20. When the items required by item 17 have been received by the RECD State Office, they will be included in the loan docket. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the preliminary loan closing will be scheduled.

Attached is a copy of Form FmHA 1942-31, "Association Water and Sewer System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RUS project funds will be considered to be RUS grant funds and refunded to RUS. If the amount of unused RUS project funds exceeds the RUS grant, that part would be RUS loan funds.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Please complete and return the enclosed Form FmHA 1942-46, "Letter of Intent to Meet Conditions," if you desire further consideration be given your application.

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RUS reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the six-month period and it is determined the authority still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RUS reserves the right to require that it be revised or replaced.

Sincerely,



JENNY N. PHILLIPS
Rural Development Manager

Attachments and Enclosures

cc: Administrator, RUS
Attn: Water and Waste
Disposal Division
Washington, DC

State Director, Rural Development
Morgantown, West Virginia

Community Manager, Rural Development
Morgantown, West Virginia

Region VI P. D. C.
7003-C Mountain Park Drive
Fairmont, WV 26554

Thrasher Engineering
P O Box 1532
Clarksburg, WV 26301

Joseph L. Smith, CPA
104 North Price Street
Kingwood, WV 26537

Attorney

Bond Counsel

JNPhillips:lmb

Project Planning Factors

The following estimates are to be used as a basis for project planning and must not be changed without prior approval of RUS:

<u>Project Costs</u>	<u>SCB Grant</u>	<u>RUS Grant</u>	<u>RUS Loan</u>	<u>Total</u>
Administration	\$ 30,000			\$ 30,000
Construction	\$720,000	\$75,700	\$535,300	\$1,331,000
Construction Contg.		\$66,500		\$ 66,500
Land and Rights		\$ 1,200	\$ 8,800	\$ 10,000
Legal & Admin. Fees		\$ 1,200	\$ 8,800	\$ 10,000
Engineering Fees		\$22,600	\$159,800	\$ 182,400
Basic	\$91,000			
Insp.	\$76,400			
Spec.	\$15,000			
Bond Counsel		\$ 1,200	\$ 7,300	\$ 8,500
Interest			\$ 80,000	\$ 80,000
Proj. Contg.		\$31,600		\$ 31,600
TOTALS	\$750,000	\$200,000	\$800,000	\$1,750,000

Rates

Available for general domestic commercial, and industrial service.

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

First 3,000 gals @ \$6.00 / M gals	5/8" x 3/4" meter-\$	18.00/mth
	3/4" meter-\$	27.00/mth
	1" meter-\$	45.00/mth
	1 1/2" meter-\$	90.00/mth
	2" meter-\$	144.00/mth
	3" meter-\$	270.00/mth
	4" meter-\$	450.00/mth
	6" meter-\$	900.00/mth
Over 3,000 gals @ \$6.00 / M gals	8" meter-\$	1,440.00/mth

(Minimum Monthly Bill - \$18.00 for 3,000 gallons)

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

Prior to Construction - \$100.00.

After the start of construction, there shall be a charge of \$300.00 for connection to the system.

Reconnection Charge

\$20.00

Use and Income Analysis (Extension Area Only)

86 users @ 3,000 gals @ \$18.00 per user = \$1,548 monthly
10 users @ 4,000 gals @ \$24.00 per user = \$ 240 monthly
11 users @ 5,000 gals @ \$30.00 per user = \$ 330 monthly

Total - \$2,118 (monthly) x 12 (months) = \$25,416 (annually)

Budget

Supplemental Income from Existing System	\$41,100
Income from Extension Area	\$25,416
Total Income	<u>\$66,516</u>

Expenses

O & M	\$14,600	
*Debt Service	47,136	
**Reserve	4,716	
		66,452
Balance and Depreciation		\$ 64

Operating and Maintenance Expenses (Project B only)

Water Purchase	\$ 4,000
Power for Pumping	960
Operation Labor	1,820
Reading Billing Collection	2,720
Operating Supplies	1,820
Property Insurance	330
Other	2,950
TOTAL	\$14,600

*Debt Service Project B \$800,000 RUS, 38 years at 5% \$47,136/yr

**Debt Service Reserve at 10% = \$4,716

UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL UTILITY SERVICES
 Table of Contents
 Preapplication, Application, Complete Docket
 Association Loans and Grants
 Water and Sewer Systems

PREAPPLICATIONS

Form No.	Document or Action	No. Needed	Procedure Reference	Respons. Party	Date Recv'd	File Pos.
SF 424	Application for Federal Assistance.	0 & 2	1942.2(a)(1)	App.	have	3
	Intergovernmental Review	2	1942.2(a)(1)	App.	have	3
Guide 7/8	Preliminary Engr. Report	2	1942.18(c)	Eng.	have	6
	Audit for last year of operation	1	1942.17(h)	App./Att.	have	1
1940-20	Request for Env. Info.	2	1942.17(j)(7)	App./Eng.	have	3
AD 1049	Certification Regarding Drug-Free Workplace Minutes Adopting Drug-Free Workplace Program	1	1940-M 1940.606(b)(2)	App.		5
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	1	LOC	App.		5
	Env. Assessment for Class II Actions (Exhibit H, 1940-G)	2	1942.17(j)(7)	Rus	have	3
	Brief Stmt. telling how facility will be operated	1	1942.17(b)(3)	App.		5
	Bill analysis for existing system(s)	2	1942.17(h)(2)	App./Eng. Acct.	have	8

	Projected Bill analysis for new users	2	1942.17(h)(2)	App./Eng. Acct. have	8
	Adjustments to historic income and cost--explain changes	2	1942.17(h)(i)	App./Eng. Acct. N/A	8
	Identification of "Other" funding	2	1942.17(n)(5)	App./Att.have	2
	Statement reporting the <u>total number</u> of <u>potential</u> users	2	1942.17(h)(2) (i)(A)	App./Eng. Acct. have	8
1942-19	Agreement for Engineering Services	3	1942.17(l)(1)	App./Eng. have	6
	Legal Services Agreement	1	1942.17(l)(1) Guide 14	App./Eng.	5
	Survey conducted by uninterested party to determine MHI	1	1942-A 1942.17(f)(6)	App./RUS have	2
	S/O concurrence in results of survey to determine MHI	1	1942-H 1942.356(b)(7)	RUS-S/O have	3
	Documentation on Service Area	1	1942.5(a)	RUS have	3
	Written Certification that "other" credit is <u>NOT</u> available	2	1942.17(b)(2)	App.	3
	Documentation on Historical & Archaeological Assessments	2	1901.255(2)	RUS have	3
	Copy of Certification of Publication and related Environmental Information	2	1940.331(c)	App.	3

	Project Planning Factors	4	S/Office	RUS	have	3
1942-51	Development Grant Summary	3	1942-H	RUS	have	2
	Finding of No Significant Impact (FONSI)	2	1940-G	RUS	have	3
	Evidence of Public Meeting Minutes	2	1942.17(j)(9)	App.		3
AD 622	Notice of Preapp. Review	0 & 3	1942.17(m)(4)	RUS	have	3
SF 424	Application for Federal Assistance	0 & 1	1942.17(m)(5)	App.	have	3
FmHA Instr. 1940-Q Exh. A-1	Certifica- tion for Contracts, Grants and Loans	0 & 1	1940-Q	App.		5
SF LLL	Disclosure of Lobbying Activities	0 & 1	1940-Q	App.		5
1942-45	Project Summary	0 & 2	1942.5(a)(1)	RUS	have	1
442-3	Balance Sheet	0 & 1	1942.17(h)	App.	have	1
442-7	Operating Budget	0 & 2	1942.17(h)	App.		3
1942-14	Project Fund Analysis	0 & 4	1942.5(c)	RUS	have	2
Guide 26	CP Program Project Selection Criteria	2	1942-A	RUS	have	2
	Letter of Conditions	7	1942.5(c)	RUS	have	3

1942-46	Letter of Intent to Meet Conditions	2	1942.5(c)	App.	3
1940-1	Request for Obligation of Funds	4	1942.5(c)(3)	RUS/App.	2
	Written Request from Applicant for the Lower Interest Rate	2	1942.17(f)(1)	RUS/app.	2
1942-31	Association Water or Sewer System Grant Agreement	2	1942-H	RUS/App.	2
	Evidence of "Other" Funds	1	1942.17(n)(5)	App.	2
	Water Users Agrmnt (Copy)	1	1942.17(h)(2) (B)	App.	5
AD 1047	Certification Regarding Debarment (Primary)	1	1940-M 1940.606(b)(1)	App.	5
AD 1048	Certification Regarding Debarment (Contractor)	1ea.	1940-M 1940.606(b)(2)	All approp. Vendors	5
1910-11	Applicant Certification Federal Collection Policies	1	1942.5(a)(1) (i)	App.	3
	Evidence of Users:				
	1. Map of Users with each	1	LOC	App.	Sep File
	2. List of Signed Users Numbered to Map	1	LOC	App.	5
	3. List of Declination Statements Numbered to Map	1	LOC	App.	5

	4. Evidence of Tap Fees Being Paid	1	LOC	App.	5
	5. Having Users Agreements and Declination Statements Available		LOC	App.	-
	Positive Program to Encourage Connections When Completed	1	1942.17(h)(2)(iii)	App.	5
	Verification of Users	1	1942.6(b)	RUS	3
	Preliminary Bond Transcript Documents w/no Defeasance Provisions	2	1942.17(j)(6)(ii)	B. Counsel	2
	Right-of-Way Map	1	Form FmHA 1942-19	Eng.	Sep File
	Deeds and/or Options		1942.17(j)(4)(i)	App./Att.	5
1927-9	Preliminary Title Opn.	1	1942.17(j)(4)(i)	App./Att.	5
	Narrative Opinion from Attorney	1	LOC	Att.	5
442-20	Right-of-Way Easement	1	1942.17(j)(4)(i)	App.	5
442-21	Right-of-Way Certificate	1	1942.17(j)(4)(i)	App.	5
442-22	Opinion of Counsel Relative to Right-of-Way		1942.17(j)(4)(i)	Att.	5
1942-47	Loan Resolution	1	1942.17(n)(2)	App.	5
	Copy of PSC Application	1	State	Att./Acct.	6
	Copy of PSC Rule 42 Exhibit	1	State	Att./Acct.	3

	Agreement with Accountant	1	1942.17(1)(1)	App./Acct.	6
	Contract Documents, Plans and Specs.	2	1942.18	Eng.	Sep File
	Dept. of Health Approval	1	1942.17(i)(iv)	Eng.	6
	Dept. of Environmental Protection Permit	1	1942.17(k)	Eng.	6
	Interim Financing Agreement	1	1942.17(n)(3)	App./Att.	1
442-30	Water Purchase Contract	1	1942.18(f)	App./Att.	5
400-1	Equal Opportunity Agreement	1	1942.17(n)(2) (x)	App.	6
400-4	Assurance Agreement	1	1942.17(n)(2) (x)	App.	3
	Bond Transcript Documents w/no Defeasance Provisions	3	1942.17(j)(6) (ii)	B. Counsel	Sep File
	OGC Closing Instructions	1	1942.17(n)(3)	RUS	5
	S/O Closing Instructions	1	1942.17(n)(3)	Rus	5
1927-10	Final Title Opinion	1	1942.17(j)(4) (i)	Att.	5
	DOH Permit	1	1942.17(j)(4) (i)	App.	6
	Railroad Permits	1	1942.17(j)(4) (i)	App.	6
	Public Land Corp. Permit	1	1942.17(j)(4) (i)	App.	6
	Corps of Engineers Permit	1	1942.17(j)(4) (i)	App.	6

	PSC Order (Approval of Financing)	1	State	App.	6
	Accountant's Certification on Accounting System	1	1942.17(q)(1)	Acct.	3
	Rural Development Approval of Accounting System		1942.17(q)(1) (ii)	App./RUS	3
400-8	Compliance Review	1	1942.6(c)	RUS	5
1924-16	Record of Preconstruction Conference	1	1942.18(o)(1)	RUS/Eng.	6
	Bid Tabulation	1	1942.18(k)	Eng.	6
	Recommendation of Award	1	1942.18(j)(8)	Eng.	6
	Recommendation of Award	1	1942.18(j)(8)	App.	6
	Contract Documents of required Ins. and Bonds	2		App./Eng.	Sep File
	Resume of Inspector	1	1942.18(o)(3)	Eng.	6
	Liability Insurance		1942.17(j)(3) (iv)	App.	7
	Worker's Compensation Certificate		1942.17(j)(3) (iv)	App.	7
	Flood Insurance Policy	1	1942.17(j)(3) (iv)	App.	7
440-24	Fidelity Bond	1	(iv) 1942.17(j)(3) App.		7
	OGC Final Opinion	1	1942.17(o)(4)	RUS	5

UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

401 Davis Avenue
Elkins, WV 26241-3848
Phone: (304) 636-2158
TTY/TDD: 1-800-982-8771
FAX: (304) 636-5902

October 22, 1997

Robert Bailey, Chairman
Preston County Public Service District No. 4
Route 2, Box 350
Albright, West Virginia 26519

Dear Mr. Bailey:

This letter is sent to confirm the loan and grant closing date on your water extension project. The date is November 7, 1997, at 11:00 a.m. in the Courthouse Annex meeting room at 115 West Court Street in Kingwood, West Virginia. The pre-construction conference will follow at 1:00 p.m. in the same room.

You should proceed to publish the "Public Notification of RUS's Finding of No Significant Environmental Impact" as outlined in a letter to you dated October 20, 1997.

At the loan closing, the District will be required to complete the certification on the Loan Resolution and the Grant Agreement. Your attorney must have a Form FmHA 1927-10, "Final Title Opinion", effective the date of loan and grant closing. New Forms FmHA 442-21, "Right-of-Way Certificate", and RD 442-22, "Opinion of Counsel Relative to Rights-of-Way", should be provided showing No exceptions.

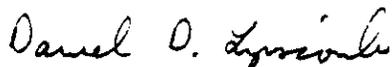
The interest rate will remain at 4.875% as originally obligated with a monthly payment of \$3,928.00

The District should also make arrangements to have the DOH permit in place at loan closing along with the interim financing from Bruceton Bank. USDA Rural Development will advance \$90,000.00 at loan closing to pay the Basic Engineering Design, Attorney and Bond Counsel's fees.

All requirements regarding the bidding documents as outlined in the letter dated October 9, 1997, will also need to be addressed.

If you should have any questions regarding this matter, or if we can be of further assistance, please do not hesitate to contact our office.

Sincerely,



DARREL D. LIPSCOMB
Rural Development Specialist
Rural Utilities Service

DDLipscomb:nmt

4B

cc: State Director
USDA Rural Development
Morgantown, WV

Ann Snyder
Attorney-at-Law
104 East Main Street
Kingwood, WV 26537

Steptoe & Johnson ✓
P.O. Box 2190
Clarksburg, WV 26301

ATTN: FRANCESA TAY

Thrasher Engineering
P.O. Box 1532
Clarksburg, WV 26301

Region VI PDC
7003-C Mountain Park Drive
Fairmont, WV 26554

Joseph L. Smith, CPA
104 North Price Street
Kingwood, WV 26537

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
7-30-97

Entered: July 10, 1997

CASE NO. 96-1524-PSD-CN

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4,
a public utility.

Application for a certificate of convenience
and necessity to construct a new water storage
tank, water mains and booster pump at Shady Grove,
Glade Farms, Hazelton, and Bruceton.

RECOMMENDED DECISION

On May 30, 1997, the Preston County Public Service District No. 4 (District) filed an application with the Public Service Commission, pursuant to West Virginia Code §24-2-11, for a certificate of public convenience and necessity to construct a new water storage tank, water mains and a booster pump at Shady Grove, Glade Farms, Hazelton and Bruceton. The project will provide water to about 235 customers including a proposed industrial park near Hazelton. The project is estimated to cost \$3,200,000. The District proposes to finance the project with a Small Cities Block (SCB) grant in the amount of \$750,000; a United States Economic Development Agency (EDA) grant in the amount of \$1,160,000; a United States Department of Agriculture Rural Development Agency (USDARD) grant in the amount of \$200,000; a loan from the West Virginia Water Development Authority (WDA) in the amount of \$290,000; and a loan from USDARD in the amount of \$800,000. The District proposed charging \$6.00 per 1,000 gallons with a minimum bill of \$18.00. The District has requested expedited treatment.

On May 30, 1997, the Commission directed the District to publish the Notice of Filing, once, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Preston County. The Notice of Filing provided that, if no substantial protests were filed within thirty (30) days, the Commission may waive formal hearing and grant the certificate, based upon its review of the evidence submitted with the application. On June 6, 1997, the District filed the appropriate affidavit of publication indicating that the notice had been published in the Preston County Journal on June 4, 1997. No protests have been received by the Commission.

On June 9, 1997, the Commission entered the Commission Referral Order in this proceeding requiring that the Division of Administrative Law Judges render a decision on or before December 26, 1997.

By Procedural Order of June 16, 1997, the matter was set for hearing on August 5, 1997.

On July 9, 1997, the Staff issued its Final Joint Staff Memorandum. Staff recommended approving the application without a hearing. Staff indicated that the project will serve 247 customers. It will also provide water to Costal Lumber Projects, Inc. (Costal). The water service will allow Costal to retain jobs.

The portion of the project extending water to Costal is estimated to cost \$1,450,000. The Costal extension will consist of new 6-inch and 8-inch water mains. The project will also serve the Northpointe Business & Industry Park which is being developed on Interstate 68 near Hazelton. The remaining portion of the project is estimated to cost \$1,750,000. It will involve a new well at Bruceton Mills and 6-inch and 8-inch mains along Route 73 including Ellsyville, Shady Grove Road, Moyers Road, and Hazelton. Altogether, the District proposes to construct 45,294 linear feet of 8-inch main, 73,526 linear feet 6-inch, and 2,500 linear feet of 2-inch water main, a 60 gallons per minute booster station, a 100,000-gallon storage tank, 247 meter settings and all necessary valves and appurtenances.

Staff views the cost per customer as high but acceptable. The customer density is 11 customers per mile which Staff views as "very low" but acceptable. Staff indicates that there is currently no potable water supply in the proposed project area. Staff believes that there is a need for the project given the potential economic development benefits and the lack of public water for the area residents.

Staff believes that the project plans, specifications and bid documents comply with the Commission's rules and regulations. The Division of Environmental Health approved the project by issuing Permit Number 13,210.

Staff notes that the project is 65% grant funded. The USDARD loan of \$800,000 is for 38 years at an interest rate of 5.0%. The WDA loan of \$290,000 is for 30 years at an interest rate of 7.0%. Staff has calculated the new debt service and reserve payment requirements.

The District proposes to keep its current rates for both new and old customers. Staff believes that the District will have sufficient revenues from the additional customers to absorb the increases in operating and maintenance expenses and debt service obligations. All funding commitments are in the record.

DISCUSSION

The District's application should be approved without hearing. The hearing scheduled for August 5, 1997, should be canceled. The District has demonstrated that the project is both necessary and convenient. The project will provide needed public water in an unserved area as well as have a positive impact on economic development by serving Costal as well as other potential commercial and industrial customers at the Northpointe Business & Industry Park.

The proposed financing is reasonable and should be approved. The District will not have to change its current rates to undertake the project. The District will have adequate revenue with the additional customers to pay for the additional operating and maintenance expenses and the additional debt service associated with the project.

The District should be required to petition the Commission to reopen this proceeding should the scope or the financing of the project be modified for any reason.

FINDINGS OF FACT

1. On May 30, 1997, the Preston County Public Service District No. 4 filed an application with the Public Service Commission, pursuant to West Virginia Code §24-2-11, for a certificate of public convenience and necessity to construct a new water storage tank, water mains, and a booster pump at Shady Grove, Glade Farms, Hazelton, and Bruceton. (See application).
2. The project will provide water to about 247 customers including the proposed Northpointe Business & Industry Park near Hazelton. (See application and Final Joint Staff Memorandum).
3. The project is estimated to cost \$3,200,000. (See application).
4. The District proposes to finance the project with a \$750,000 SCB grant; a \$1,160,000 EDA grant; a \$200,000 USDARD grant; a \$290,000 WDA loan for 30 years at 7%; and a \$800,000 USDARD loan for 38 years at 5%. (See application and Final Joint Staff Memorandum).
5. The District proposed charging \$6.00 per 1,000 gallons with a minimum bill of \$18.00, which is the District's current rate. (See application and Final Joint Staff Memorandum).
6. On May 30, 1997, the Commission directed the District to publish the Notice of Filing, once, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Preston County. (See May 30, 1997 Commission Order).
7. On June 6, 1997, the District filed the appropriate affidavit of publication indicating that the notice had been published in the Preston County Journal, a newspaper of general circulation in Preston County on June 4, 1997. (See affidavit).
8. No protests have been received by the Commission. (See Executive Secretary's file generally).
9. On July 9, 1997, the Staff issued its Final Joint Staff Memorandum, recommending approving the application without a hearing.

10. The project will provide water to Costal Lumber Projects, Inc., allowing Costal to retain jobs. (See application and Final Joint Staff Memorandum).

11. The project includes a new well at Bruceton Mills to improve the water supply. (See Final Joint Staff Memorandum).

12. The District proposes to construct 45,294 linear feet of 8-inch, 73,526 linear feet of 6-inch, and 2,500 linear feet of 2-inch water main, a 60 gallon per minute booster station, a 100,000-gallon storage tank, 247 meter settings and all necessary valves and appurtenances. (See application and Final Joint Staff Memorandum).

13. The cost per customer for the project is high but acceptable. (See Final Joint Staff Memorandum).

14. The customer density is 11 customers per mile which is very low but acceptable. (See Final Joint Staff Memorandum).

15. There is currently no potable water supply in the proposed project area. (See Final Joint Staff Memorandum).

16. The Division of Environmental Health approved the project by issuing Permit Number 13,210. (See Final Joint Staff Memorandum).

17. The District will have sufficient revenues from the additional customers to absorb the increases in operating and maintenance expenses and debt service obligations. (See Final Joint Staff Memorandum).

CONCLUSIONS OF LAW

1. Public convenience and necessity require the project.
2. The District's proposed financing of the project is reasonable and should be approved.
3. The District's application for a certificate of convenience and necessity should be granted.
4. The District should be required to seek Commission approval should project's scope or the proposed financing change for any reason.

ORDER

IT IS, THEREFORE, ORDERED that the hearing scheduled for August 5, 1997, be, and hereby is, canceled.

IT IS FURTHER ORDERED that the Preston County Public Service District No. 4's application filed on May 30, 1997, for a certificate of convenience

and necessity to construct an extension of its water distribution system and to improve its existing system be, and hereby is, granted.

IT IS FURTHER ORDERED that the proposed financing for the project, consisting of a \$750,000 SCB grant; a \$1,160,000 EDA grant; a \$200,000 USDARD grant; a \$290,000 WDA loan for 30 years at 7%; and a \$800,000 USDARD loan for 38 years at 5%, be, and hereby is, approved.

IT IS FURTHER ORDERED that, should the scope or financing of the project change for any reason, the District is hereby required to seek Commission approval before commencing construction.

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

Leave hereby is 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 the exceptions.

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

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Keith A. George
Administrative Law Judge

KAG:s



STATE OF WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY

1201 DUNBAR AVENUE
DUNBAR, WV 25064

Telephone (304) 558-3612
Telecopier (304) 558-0295

July 13, 1995

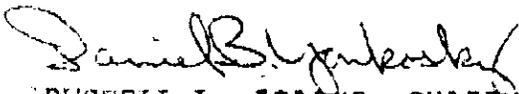
Mr. H. Wood Thrasher, PE
Thrasher Engineering, Incorporated
P.O. Box 1532
Clarksburg WV 26302-1532

PRELIMINARY APPLICATION -
PRESTON COUNTY PSD NO. 4 (WATER PROJECTS A AND B)

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Preliminary Application for the above-referenced project and has determined that the project is technically and financially feasible within the guidelines of the Act. (See attached Water Assessment Committee comments.)

The Council recommends that the Preston County PSD No. 4 pursue a US Economic Development Administration grant of \$1,150,000, and a loan of \$290,000 to finance Project A and pursue a \$705,000 loan and a \$200,000 grant from the USDA Rural Economic and Community Development and a Small Cities Block Grant of \$750,000 to finance Project B. This letter does not constitute funding approval by these agencies.

If you have any questions, please contact Daniel Yonkosky, Director of the Water Development Authority, who serves as chairman of the Council's Funding Committee.


RUSSELL L. ISAACS CHAIRMAN
WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

c David Warner, US Economic Development Administration
Fred Cutlip, West Virginia Development Office
Bobby Lewis, USDA Rural Economic and Community Development

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

CROSS-RECEIPT FOR SERIES 1997 A BONDS AND BOND PROCEEDS

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

1. On the 7th day of November, 1997, the Authority received the Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), issued in the principal amount of \$290,000, as a single, fully registered Bond, numbered AR-1 and dated November 7, 1997 (the "Bonds").

2. At the time of such receipt of the Bonds upon original issuance, the 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 Bonds, of the proceeds of the Bonds in the aggregate principal amount of \$290,000 (100% of par value), there being no interest accrued thereon.

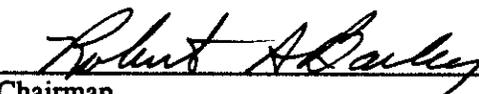
WITNESS our respective signatures on this 7th day of November, 1997.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY



Authorized Representative

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4



Chairman

10/29/97
723800/96002

1

2

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

DIRECTION TO AUTHENTICATE AND DELIVER SERIES 1997 A BONDS

One Valley Bank, National Association,
as Bond Registrar for the Series 1997 A Bonds
Charleston, West Virginia

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of the Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), in the principal amount of \$290,000, dated November 7, 1997 (the "Bonds"), executed by the Chairman and Secretary of 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 and a Supplemental Resolution, both duly adopted by the Issuer on November 7, 1997 (collectively, the "Bond Legislation");

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

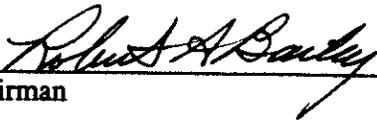
(3) Executed counterparts of a loan agreement dated November 7, 1997, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (the "Loan Agreement"); and

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

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the account of the Issuer of the sum of \$290,000, representing the agreed purchase price of the Bonds, there being no accrued interest thereon. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 7th day of November, 1997.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4


Chairman

10/29/97
723800/96002

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 B (United States Department of Agriculture)

RECEIPT FOR SERIES 1997 B BONDS AND TRANSCRIPTS

The undersigned, authorized representative of the United States Department of Agriculture, for and on behalf of the United States of America (the "Government"), hereby certifies as follows:

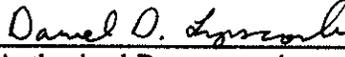
1. On the 7th day of November, 1997, at Kingwood, West Virginia, the undersigned received for the Government the Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 B, No. BR-1, issued as a single, fully registered Bond, in the principal amount of \$800,000 (the "Bonds"), dated the date hereof, bearing interest at the rate of 4.875% per annum, payable in monthly installments as stated in the Bonds.

2. At the time of such receipt, the Bonds had been executed and sealed by the designated officials of the Public Service Board of Preston County Public Service District No. 4 (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of \$90,000, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be paid to the Issuer as acquisition and construction of the Project progresses.

4. At the time of such receipt, the undersigned also received three sets of Bond transcript documents.

WITNESS my signature on this 7th day of November, 1997.



Authorized Representative

10/29/97
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

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(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:



STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

November 7, 1997

104 WEST CONGRESS STREET

P. O. BOX 100

CHARLES TOWN, W. VA. 26414-0100

(304) 725-1414

FACSIMILE (304) 725-1913

RILEY BUILDING, FOURTH FLOOR

14TH AND CHAPLINE STREETS

P. O. BOX 180

WHEELING, W. VA. 26003-0080

(304) 233-0000

FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK

200 STAR AVENUE, SUITE 220

P. O. BOX 628

PARKERSBURG, W. VA. 26102-0628

(304) 422-6463

FACSIMILE (304) 422-6462

WRITER'S DIRECT DIAL NUMBER

Preston County Public Service District No. 4
Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

Preston County Public Service District No. 4
Albright, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Preston County Public Service District No. 4 (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$290,000 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement dated November 7, 1997, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), 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, with interest payable April 1 and October 1 of each year, commencing April 1, 1998, at the rate of 6.25% per annum, and with principal installments payable on October 1 of each year, commencing October 1, 1998, and ending October 1, 2035, all as set forth in "Schedule X," attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (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 November 7, 1997, as supplemented by a Supplemental Resolution duly adopted by the Issuer on November 7, 1997 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

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

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

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

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

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

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Bond Legislation and secured by a lien on and pledge of the Net Revenues of the System, on a parity with the Issuer's Water Revenue Bond, Series 1987, dated May 11, 1988, issued in the aggregate principal amount of \$370,000, and Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), issued concurrently herewith on the date hereof in the aggregate principal amount of \$800,000, in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations

under the Code. It should be noted, however, that interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement, 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,

Stephoe & Johnson

STEPHOE & JOHNSON

10/29/97
723800/96002

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

November 7, 1997

BANK ONE CENTER, SEVENTH FLOOR
P. O. BOX 1898
CHARLESTON, W. VA. 25320-1898
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25402-2629
(304) 263-6991
FACSIMILE (304) 263-4785

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 725-1414
FACSIMILE (304) 725-1913

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

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

WRITER'S DIRECT DIAL NUMBER

Preston County Public Service District No. 4
Water Revenue Bonds,
Series 1997 B (United States Department of Agriculture)

Preston County Public Service District No. 4
Albright, West Virginia

United States Department of Agriculture
Morgantown, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Preston County Public Service District No. 4 in Preston County, West Virginia (the "Issuer"), of its \$800,000 Water Revenue Bonds, Series 1997 B, dated the date hereof (the "Bonds"), pursuant to 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 "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, 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 a political subdivision of the State of West Virginia with corporate power to adopt the Resolution, perform the agreements on its part contained therein and issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Resolution creates a valid lien on the Net Revenues pledged by the Resolution for the security of the Bonds on a parity with the Issuer's Water Revenue Bond, Series 1987, dated May 11, 1988, issued in the aggregate principal amount of \$370,000, and Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), issued concurrently herewith on the date hereof in the aggregate principal amount of \$290,000, but subject to no other prior or parity lien granted under the Act.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

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

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

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

Very truly yours,

Steptoe & Johnson

STEPTOE & JOHNSON

10/29/97
723800/96002

1

2

EVERHART, BROWN & SNYDER

ATTORNEYS AND COUNSELLORS AT LAW

104 EAST MAIN STREET

P.O. BOX 516

KINGWOOD, WEST VIRGINIA

26537-0516

L. F. EVERHART (1876-1962)

CHARLES H. BROWN
ANN E. SNYDER
DAVID P. BROWN

OF COUNSEL
FRANK B. EVERHART

(304) 329-0421

(304) 329-1075

FAX (304) 329-0422

November 7, 1997

**Preston County Public Service District No. 4
Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)**

**Preston County Public Service District No. 4
Albright, West Virginia**

**West Virginia Water Development Authority
Charleston, West Virginia**

**Step toe & Johnson
Clarksburg, West Virginia**

Ladies and Gentlemen:

We are counsel to Preston County Public Service District No. 4, a public service district in Preston County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Step toe & Johnson, as bond counsel, a loan agreement dated November 7, 1997, including all schedules and exhibits attached thereto, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (the "Loan Agreement"), the Bond Resolution duly adopted by the Issuer on November 7, 1997, as supplemented by the Supplemental Resolution duly adopted by the Issuer on November 7, 1997 (collectively, the "Bond Legislation"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds") and 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. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

We are of the opinion that:

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

2. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.
4. 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.
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 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 received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Preston County, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on July 10, 1997, in Case No. 96-1524-PSD-CN, approving the financing for the Project, approving the water rates for the System and granting to the Issuer a certificate of public convenience and necessity for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.
7. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.
8. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

Preston County Public Service District No. 4
Page 3

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

Very truly yours,


EVERHART, BROWN & SNYDER

10/29/97
723800/96002



EVERHART, BROWN & SNYDER

ATTORNEYS AND COUNSELLORS AT LAW

104 EAST MAIN STREET

P.O. BOX 516

KINGWOOD, WEST VIRGINIA

26537-0516

L. F. EVERHART (1876-1962)

CHARLES H. BROWN

ANN E. SNYDER

DAVID P. BROWN

(304) 329-0421

(304) 329-1075

FAX (304) 329-0422

OF COUNSEL

FRANK B. EVERHART

November 7, 1997

**Preston County Public Service District No. 4
Water Revenue Bonds,
Series 1997 B (United States Department of Agriculture)**

**Preston County Public Service District No. 4
Albright, West Virginia**

**United States Department of Agriculture
Morgantown, West Virginia**

**Steptoe & Johnson
Clarksburg, West Virginia**

Ladies and Gentlemen:

We are counsel to Preston County Public Service District No. 4, a public service district in Preston County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a Bond Resolution duly adopted by the Issuer on November 7, 1997, as supplemented by the Supplemental Resolution duly adopted by the Issuer on November 7, 1997 (collectively, the "Resolution"), other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds") and documents and orders of The County Commission of Preston County relating to the creation of the Issuer and the appointment of members of the Public Service Board of the Issuer. Terms used in the Resolution and not otherwise defined herein shall have the same meanings as in the Resolution when used herein.

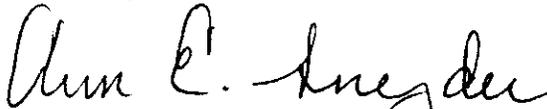
We are of the opinion that:

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

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

3. The Resolution has been duly adopted by the Issuer and is in full force and effect.
4. The execution and delivery of the Bonds and the consummation of the transactions contemplated by the Bonds and the Resolution, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any 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.
5. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Preston County, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on July 30, 1997, in Case No. 96-1524-PSD-CN, approving the financing for the Project, approving the water rates for the System and granting to the Issuer a certificate of public convenience and necessity for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.
6. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.
7. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds or the Resolution, the acquisition and construction of the Project, the operation of the System, or the validity of the Bonds, or the collection or pledge of the Net Revenues therefor.

Very truly yours,


EVERHART, BROWN & SNYDER

10/29/97
723800/96002

U. S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
FINAL TITLE OPINION

LOAN APPLICANT Preston County Public Service District #4	ADDRESS OF PROPERTY COVERED BY THIS OPINION Route 2, Albright, Grant District	
APPLICANT FOR TITLE EXAMINATION Preston County Public Service District #4	COUNTY Preston	STATE West Virginia

I. I have examined title to the property described in the security instrument described in paragraph II-B below. My examination covered the period from the time of termination of title search covered by my Preliminary Title Opinion on Form FmHA 1927-9; or the time of recordation of the initial loan security instrument if this opinion covers land

already owned by the loan applicant in a subsequent loan case, to November 7, 19 97, at _____ M. o'clock (including the time of filing the current security instrument).

II. Based on said title examination, my preliminary title examination if any, and any additional information concerning the title which has come to my attention, it is my opinion that:

A. Good and marketable title, in accordance with title examination standards prevailing in the area, to said property (real estate and any water rights offered as security) is now vested in _____

Preston County Public Service District #4

as _____
(Joint tenants, tenants by the entirety, etc., as required or permitted by FHA)

B. The United States of America holds a valid 1st statutory lien on said property (Priority) (Mortgage, etc.) as required by the Farmers Home Administration, which lien was filed for record on Nov. 7, 19 97, the office of the Clerk of the County Commission, at _____ M. o'clock and is recorded in Preston County, W.Va., in Trust Deed Book _____, page _____ (Book, page, and office)

C. Said property and lien are subject only to encumbrances, reservations, exceptions, and defects which were approved by written administrative waivers of the Farmers Home Administration attached hereto or to my Preliminary Title Opinion.

III. If a water right is involved and is not covered by the current security instrument, it is subject only to the encumbrances, reservations, exceptions, and defects set forth in said administrative waivers and was made available as security in the following manner (Water stock would normally be reissued in the names of said land owners and the United States of America and delivered to the County Supervisor at the time of loan closing):

NONE

IV. The term "encumbrances, reservations, exceptions, and defects" means all matters which would prevent the United States from obtaining the required lien on the property identified in paragraph I, including but not limited to (a) mortgages, deeds of trust, and vendors', mechanics', materialmen's, and all other liens, including any provisions thereof for future advances which could take priority over the said lien to the United States, (b) Federal, State, and local taxes, including county, school, improvement, water, drainage, sewer, inheritance, personal property, and income, (c) State and Federal bankruptcy, insolvency, receivership, and probate proceedings, (d) judgments and pending suits, in State and Federal courts, (e) recorded covenants; conditions; restrictions; reservations; liens; encumbrances; easements; rights-of-way; leases; mineral, oil, gas, and geothermal rights (regardless of the right of surface entry); timber rights; water rights; pending court proceedings and other matters of record which affect the title of the property or the ability of the buyer or seller to convey or accept title.

V. This opinion is issued expressly for the benefit of the above-named applicant for title examination and the United States of America acting through the Farmers Home Administration, and I assume liability to each hereunder.

November 7, 1997
(Date)

Ann E. Snyder
Ann E. Snyder (Attorney's signature)

P. O. Box 516, Kingwood, WV 26537

Attachments.

(Address, include ZIP Code) 16

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

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. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. SPECIMEN BOND
20. CONFLICT OF INTEREST
21. GRANTS

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 \$290,000 Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority) (the "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 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").

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

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

There are outstanding obligations of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), issued simultaneously herewith in the original aggregate principal amount of \$800,000 (the "Series 1997 B Bonds") and 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 Bonds and the Series 1997 B Bonds are issued on a parity with each other. 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 Bonds and the Series 1997 B 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.

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

WDA Loan Agreement

USDA Letter of Conditions, with all amendments

Public Service Commission Order

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

1987 Bond Resolution

Consent of Holder of 1987 Bonds

Evidence of United States Department of Agriculture Grant

Evidence of Small Cities Block Grant

Evidence of Economic Development Administration Grant

Water Purchase Contract with Town of Bruceton

6. INCUMBENCY AND OFFICIAL NAME: 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 duly created by The County Commission of Preston County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Carl Collins	August, 1997	July, 2003
Robert Bailey	March, 1996	February, 2002
Edwin Liston	May, 1993	April, 1999

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 1997 are as follows:

Chairman	-	Robert Bailey
Secretary	-	Carl Collins
Treasurer	-	Edwin Liston

The duly appointed and acting Counsel to the Issuer is Everhart, Brown & Snyder, Kingwood, 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 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 Bonds, the acquisition, construction and financing of the Project and the operation of the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A, of the Official West Virginia Code of 1931, as amended, and a quorum of duly appointed or elected, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. **CONTRACTORS' INSURANCE, ETC.:** All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation and the 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 all covenants, terms and representations made in the Loan Agreement.

11. **RATES:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on July 10, 1997, in Case No. 96-1524-PSD-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges.

12. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on July 10, 1997, in Case No. 96-1524-PSD-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the water rates for the System and approving the financing for the Project.

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

14. **BOND PROCEEDS:** On the date hereof, the Issuer received from the Authority the agreed purchase price of the Bonds, being \$290,000 (100% of par value), there being no interest accrued thereon.

15. **PUBLICATION OF NOTICE OF BORROWING AND PSC FILING:** The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, the issuance

of the Bonds and filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the Official West Virginia Code of 1931, as amended.

16. **PRIVATE USE OF FACILITIES:** The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions to assure the initial and continued tax-exempt status of the Bonds and the interest thereon. Less than 10% of the proceeds of the Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or 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. None of the proceeds of the Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Bonds, including the disproportionate related business use of the proceeds of the Bonds, and none of the payment of principal of, or interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or 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 with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate related business use of the issue of the Bonds. None of the proceeds of the issue of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person, including related persons, other than a governmental unit, other than use as a member of the general public. All of the foregoing have been and are to be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended (including any amendments and successor provisions and the rules and regulations thereunder, the "Code").

17. **NO FEDERAL GUARANTY:** The Bonds are not and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. **IRS INFORMATION RETURN:** On the date hereof, the undersigned Chairman did officially execute a properly completed IRS Form 8038-G in connection with the Bonds and will cause such executed Form 8038-G to be filed in a timely manner pursuant to Section 149(e) of the Code with the Internal Revenue Service Center, Philadelphia, Pennsylvania. The information contained in such executed Form 8038-G is true, correct and complete.

19. **SPECIMEN BOND:** Delivered concurrently herewith is a true and accurate specimen of the Bond.

20. **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 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.

21. **GRANTS:** As of the date hereof, the grant in the amount of \$200,000 from the United States Department of Agriculture, the grant in the amount of \$750,000 from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) and the grant in the amount of \$1,160,000 from the United States Department of Commerce, Economic Development Administration are committed for the Project and in full force and effect.

WITNESS our signatures and the official seal of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on this 7th day of November, 1997.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Robert A. Bailey

Chairman

Carl Collins

Secretary

Ann C. Snyder

Counsel to Issuer

10/29/97
723800/96002

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

**Water Revenue Bonds,
Series 1997 B (United States Department of Agriculture)**

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BONDS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES, ETC.
6. CERTIFICATION OF COPIES OF DOCUMENTS
7. INCUMBENCY AND OFFICIAL NAME, ETC.
8. DELIVERY AND PAYMENT AND USE OF PROCEEDS
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
11. CONTRACTORS' INSURANCE, ETC.
12. CONNECTIONS, ETC.
13. MANAGEMENT
14. GRANTS
15. CONFLICT OF INTEREST

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, acting for the Issuer and in its name, hereby state and certify in connection with the Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 B, No. BR-1, dated the date hereof, fully registered, in the principal amount of \$800,000, and bearing interest at the rate of 4.875% per annum (the "Bonds"), as follows:

1. AUTHORIZATION AND AWARD OF BONDS: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Bonds has been duly awarded to the United States of America, acting by the United States Department of Agriculture (the "Purchaser"), pursuant to a Letter of Conditions from the Purchaser and all amendments thereto, and as appears in the Bond Resolution duly adopted by the Issuer on November 7, 1997, as supplemented by the Supplemental Resolution duly adopted by the Issuer on November 7, 1997, authorizing issuance of the Bonds (collectively, the "Resolution"). Terms used herein and not otherwise defined herein shall have the same meaning as defined in the Resolution when used herein. The Bonds are being issued on this date to finance a

portion of the cost of the acquisition and construction of the Project located within the boundaries of the Issuer.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance and delivery of the Bonds or receipt of any grant moneys committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of any moneys or security therefor; nor questioning the existence, powers or proceedings of the Issuer or its Public Service Board (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the acquisition and construction of the Project or the operation of the System; nor questioning the rates and charges provided for services of the System.

3. **GOVERNMENTAL APPROVALS:** All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds, have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project were 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 by the Purchaser of a loan to assist in acquisition and construction of the Project.

There are outstanding obligations of the Issuer which will rank on a parity with the Bonds as to liens, pledge and source of and security for payment, being the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), issued simultaneously herewith in the original aggregate principal amount of \$290,000 (the "Series 1997 A Bonds") and 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 Bonds and the Series 1997 A Bonds are issued on a parity with each other. 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 Bonds and the Series 1997 A 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.

5. **SIGNATURES, ETC.:** On the date hereof, the undersigned Chairman and Secretary did officially execute and seal the Bonds, consisting upon original issuance of a single Bond, numbered BR-1, dated the date hereof, with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, appointed, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer.

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

Bond Resolution

Supplemental Resolution

WDA Loan Agreement

USDA Letter of Conditions, with all amendments

Public Service Commission Order

Infrastructure and Jobs Development Council Approval

County Commission Orders Creating District

County Commission Orders Appointing Current Boardmembers

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1987 Bond Resolution

Consent of Holder of 1987 Bonds

Evidence of United States Department of Agriculture Grant

Evidence of Small Cities Block Grant

Evidence of Economic Development Administration Grant

Water Purchase Contract with Town of Bruceton

The undersigned Chairman hereby covenants that he has or will file tariffs pursuant to final order of the Public Service Commission when the completion date of the Project is definitely known, or has caused or will cause such tariffs to be filed in accordance with said order.

7. **INCUMBENCY AND OFFICIAL NAME, ETC.:** The proper corporate title of the Issuer is "Preston County Public Service District No. 4" and its principal office and place of business are in Preston County, West Virginia. The Issuer is a public service district and public corporation and political subdivision of the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of three duly appointed, qualified and acting members, whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Carl Collins	August, 1997	July, 2003
Robert Bailey	March, 1996	February, 2002
Edwin Liston	May, 1993	April, 1999

The names of the duly elected, appointed, qualified and acting officers of said Public Service Board of said Issuer for the calendar year 1997 are as follows:

Chairman	-	Robert Bailey
Secretary	-	Carl Collins
Treasurer	-	Edwin Liston

The duly appointed and acting Counsel to the Issuer is Everhart, Brown & Snyder, of Kingwood, West Virginia.

8. **DELIVERY AND PAYMENT AND USE OF PROCEEDS:** On the date hereof, the Bonds were delivered to the Purchaser at Kingwood, West Virginia, by the undersigned Chairman for the purposes set forth herein, and at the time of such delivery the

Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Resolution.

At the time of delivery of the Bonds, the amount of \$90,000 was received by the undersigned Chairman, being a portion of the principal amount of the Bonds. Further advances of the balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

The Bonds are dated the date hereof, and interest on advances of the principal thereof at the rate of 4.875% per annum is payable from the date of each such advance.

The Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

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

10. **MEETINGS; PUBLICATION AND POSTING OF NOTICES, 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 acquisition, construction, operation and financing of the Project and the System were authorized or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly appointed, 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.

11. **CONTRACTORS' INSURANCE, ETC.:** All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions and Commitment of the Purchaser, as amended, and the Resolution.

12. **CONNECTIONS, ETC.:** The Issuer will serve at least 107 bona fide full-time users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

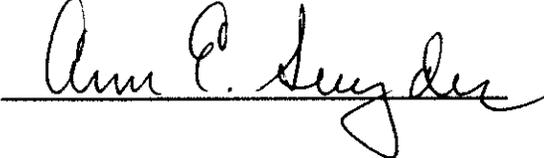
13. **MANAGEMENT:** The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by such Purchaser.

14. **GRANTS:** As of the date hereof, the grant in the amount of \$200,000 from the United States Department of Agriculture, the grant in the amount of \$750,000 from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia) and the grant in the amount of \$1,160,000 from the United States Department of Commerce, Economic Development Administration are committed for the Project and in full force and effect.

15. **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 Bonds, the Resolution and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Resolution. 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.

WITNESS our signatures and the official seal of PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 on this 7th day of November, 1997.

[CORPORATE SEAL]

<u>SIGNATURE</u>	<u>OFFICIAL TITLE</u>
	Chairman
	Secretary
	Counsel to Issuer

10/29/97
723800/96002

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

CERTIFICATE AS TO ARBITRAGE

The undersigned Chairman of the Public Service Board of Preston County Public Service District No. 4, in Preston County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of \$290,000 aggregate principal amount of Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), of the Issuer, dated November 7, 1997 (the "Bonds"), hereby certify as follows:

1. This certificate is being executed and delivered pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (the "Code"). I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning as set forth in the Bond Resolution duly adopted by the Issuer on November 7, 1997, as supplemented (the "Bond Resolution"), authorizing the Bonds.
2. This certificate may be relied upon as the certificate of the Issuer.
3. The Issuer has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer the certification of which may not be relied upon by holders of obligations of the Issuer or that there is any disqualification of the Issuer by the Internal Revenue Service because a certification made by the Issuer contains a material misrepresentation.
4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 7, 1997, the date on which the Bonds are to be physically delivered in exchange for the issue price of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.
5. In the Bond Resolution pursuant to which the Bonds are issued, the Issuer has covenanted that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of

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

6. The Bonds were sold on November 7, 1997, to the West Virginia Water Development Authority (the "Authority") pursuant to a loan agreement dated November 7, 1997, by and between the Issuer and the Authority, for an aggregate purchase price of \$290,000 (100% of par value), there being no accrued interest paid thereon. On the date hereof, the Issuer also sold its Water Revenue Bonds, Series 1997 B (United States Department of Agriculture), to the United States Department of Agriculture, for an aggregate purchase price of \$800,000 (100% of par value), there being no accrued interest paid thereon (the "Series 1997 B Bonds").

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

8. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend in excess of \$100,000 on the Project, constituting a substantial binding commitment, or has already done so. Acquisition, construction and equipping of the Project will commence immediately and will proceed with due diligence to completion, and, with the exception of proceeds constituting capitalized interest, if any, and proceeds deposited in the reserve account for the Bonds, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the project on or before July, 1998, except as otherwise required for rebate to the United States under Section 148(f) of the Code. Acquisition and construction of the Project is expected to be completed by July, 1998.

9. The total cost of the Project (including all costs of issuance of the Bonds) is estimated at \$3,200,000. Sources and uses of funds for the Project are as follows:

SOURCES

Gross Proceeds of Series 1997 A Bonds	\$ 290,000
Gross Proceeds of Series 1997 B Bonds	800,000
United States Department of Agriculture Grant	200,000
Small Cities Block Grant	750,000
Economic Development Administration Grant	<u>1,160,000</u>
Total Sources	<u>\$3,200,000</u>

USES

Acquisition and Construction of Project	\$3,183,500
Capitalized Interest on the Bonds	-0-
Funded Reserve for the Bonds	-0-
Costs of Issuance	<u>16,500</u>
Total Uses	<u>\$3,200,000</u>

The amount of the costs of the Project not expected to be reimbursed or paid from the grants stated above is estimated to be at least equal to the gross proceeds of the Bonds. Except for the proceeds of the Bonds and the grants stated above, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

10. Pursuant to Article V of the Bond Resolution, the following special funds or accounts have been created or continued:

- (1) Revenue Fund;
- (2) Series 1987 Bonds Reserve Account;
- (3) Depreciation Reserve;
- (4) Series 1997 A Bonds Construction Trust Fund;

- (5) Series 1997 B Bonds Construction Trust Fund;
- (6) Series 1997 B Bonds Reserve Account;
- (7) Rebate Fund;
- (8) Series 1997 A Bonds Sinking Fund; and
- (9) Within the Series 1997 A Bonds Sinking Fund, the Series 1997 A Bonds Reserve Account.

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

(1) Bond proceeds in the amount of \$-0- will be deposited in the Series 1997 A Bonds Sinking Fund as capitalized interest and applied to payment of interest on the Bonds during construction of the Project and for a period not to exceed six months following completion thereof.

(2) Bond proceeds in the amount of \$-0- will be deposited in the Series 1997 A Bonds Reserve Account.

(3) The balance of the proceeds of the Bonds will be deposited in the Series 1997 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project, including costs of issuance of the Bonds and related costs, and for no other purpose.

Amounts in the Series 1997 A Bonds Construction Trust Fund, if invested, will be invested without yield limitation for a period necessary to complete the Project, not to exceed 3 years. All of such moneys are necessary for such purpose.

Except for "preliminary expenditures" as defined in Treas. Reg. §1.150-2(f)(2), if any, none of the proceeds of the Bonds will be used to reimburse the Issuer for costs of the Project previously incurred and paid by the Issuer with its own funds.

12. Moneys held in the Series 1997 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds, and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on moneys in the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account will be withdrawn therefrom, not less than once each year, and, during construction of the Project, deposited into the Series 1997 A Bonds Construction Trust Fund, and following completion of construction of the Project, will be deposited in the Revenue Fund, and such amounts will be applied as set forth in the Bond Resolution.

13. Except for the Series 1997 A Bonds Sinking Fund and the Series 1997 A Bonds Reserve Account, there are no other funds or accounts established or held by the Issuer which are reasonably expected to be used to pay debt service on the Bonds, or which are pledged as collateral for the Bonds and for which there is a reasonable assurance that amounts therein will be available to pay debt service on the Bonds, if the Issuer encounters financial difficulties. The Issuer does not expect that moneys in the Depreciation Reserve will be used or needed for payments upon the Bonds, and because such amounts may be expended for other purposes, there is no reasonable assurance that such amounts would be available to meet debt service if the Issuer encounters financial difficulties; thus, such amounts may be invested without yield limitation. Except as provided herein, no funds which have been or will be used to acquire directly or indirectly securities, obligations, annuity contracts, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved desegregation plan or other investment property producing a yield in excess of the yield on the Bonds, have been or will be pledged to payment of the Bonds. Less than 10% of the proceeds of the Bonds, if any, will be deposited in the Series 1997 A Bonds Reserve Account or any other reserve or replacement fund. The amounts deposited in the Series 1997 A Bonds Reserve Account from time to time by the Issuer will not exceed the maximum annual principal and interest on the Bonds, and will not exceed 125% of average annual principal and interest on the Bonds. Amounts in the Series 1997 A Bonds Reserve Account, not to exceed 10% of the proceeds of the Bonds, if invested, will be invested without yield limitation. The establishment of the Series 1997 A Bonds Reserve Account is required by the Authority, is vital to its purchase of the Bonds, and is reasonably required to assure payments of debt service on the Bonds.

14. The Issuer shall, on the date hereof or immediately hereafter, enter into a contract for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds from the sale of the Bonds or \$100,000.

15. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within 9 months.

16. The Issuer will comply with the provisions of the Code, for which the effective date precedes the date of delivery of its Bonds to the Authority.

17. With the exception of the amount deposited in the Series 1997 A Bonds Sinking Fund for payment of interest on the Bonds, if any, and amounts deposited in the Series 1997 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within 9 months from the date of issuance thereof.

18. The Series 1997 A Bonds Sinking Fund (other than the Series 1997 A Bonds Reserve Account therein) is intended primarily to achieve a proper

matching of payments of debt service on the Bonds each year. The Series 1997 A Bonds Sinking Fund (other than the Series 1997 A Bonds Reserve Account therein) will be depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1/12th of annual debt service on the Bonds, or one year's interest earnings on the Series 1997 A Bonds Sinking Fund (other than the Series 1997 A Bonds Reserve Account therein). Except as otherwise allowed, any money deposited in the Series 1997 A Bonds Sinking Fund for payment of the principal of or interest on the Bonds (other than the Series 1997 A Bonds Reserve Account therein), will be spent within a 13-month period beginning on the date of receipt and will be invested without yield limitation, and any moneys received from the investment of amounts held in the Series 1997 A Bonds Sinking Fund (other than in the Series 1997 A Bonds Reserve Account therein) will be spent within a one year period beginning on the date of receipt.

19. All proceeds of the Bonds which were used for the payment of costs of the Project will be expended for such purposes within three years of January 9, 1996.

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

21. All property financed with the proceeds of the Bonds will be held for federal income tax purposes by (or on behalf of) a qualified governmental unit.

22. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

23. No more than 10% of the proceeds of the Bonds will be used (directly or indirectly) in any trade or business carried on by, and less than 5% of the proceeds of Bonds or \$5,000,000 have been or will be used to make or finance loans to, any person who is not a governmental unit.

24. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue, except to the extent any such proceeds are required for rebate to the United States.

25. 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.

26. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and the

Treasury Regulations promulgated or to be promulgated thereunder in order to assure that the interest on the Bonds is excluded from gross income for federal income tax purposes.

27. The Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

28. The Issuer will rebate to the United States the amount, if any, required by the Code and take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

29. The Issuer has retained the right to amend the Bond Resolution authorizing the issuance of the Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Bonds from the gross income for federal income tax purposes of interest on the Bonds.

30. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in the Code.

31. The Issuer has either (a) funded the Series 1997 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 1997 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10 year period until such Series 1997 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Moneys in the Series 1997 A Bonds Reserve Account and the Series 1997 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

32. The Issuer shall submit to the Authority within 15 days following the end of each bond year a certified copy of its rebate calculation and a certificate with respect thereto or, if the Issuer qualifies for the small governmental issuer exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the bond year which would make the Bonds subject to rebate.

33. The Issuer expects that no part of the Project financed by the Bonds will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

34. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exempt status of the Bonds and the interest thereon. In addition, the Issuer has covenanted to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and has covenanted to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Resolutions authorizing issuance of the Bonds.

The Issuer has further covenanted to calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. The Issuer further covenants to pay, or cause to be paid, to the United States, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. 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. 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.

35. The Bonds are a fixed yield issue. No interest or other amount payable on the Bonds (other than in the event of an unanticipated contingency) is determined by reference to (or by reference to an index that reflects) market interest rates or stock or commodity prices after the date of issue.

36. None of the Bonds has a yield-to-maturity more than one-fourth of one percent higher than the yield on the Bond determined by assuming the Bond is retired on the date that when used in computing the yield on the Bond produces the lowest yield.

37. No portion of the proceeds of the Bonds will be used, directly or indirectly, to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

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

39. Except for a reasonable temporary period until such proceeds are needed for the purpose for which such issue was issued or as otherwise allowed, no portion of the proceeds of the Bonds will be used, directly or indirectly, to acquire higher yielding investments, or to replace funds which were used, directly or indirectly, to acquire higher yielding investments, all within the meaning of Section 148 of the Code.

40. The transaction contemplated herein does not represent an exploitation of the difference between taxable and tax-exempt interest rates and the execution and delivery of the Bonds is not occurring sooner than otherwise necessary, nor are the Bonds in principal amounts greater than otherwise necessary or to be outstanding longer than otherwise necessary.

41. On the basis of the foregoing, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

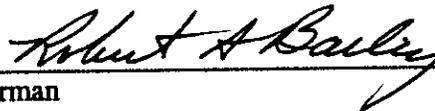
42. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

43. Steptoe & Johnson is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions regarding the tax-exempt status of interest on the Bonds.

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

WITNESS my signature on this 7th of November, 1997.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4



Chairman

10/29/97
723800/96002

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)

CERTIFICATE OF ENGINEER

I, H. Wood Thrasher, Registered Professional Engineer, West Virginia License No. 9478, of Thrasher Engineering, Inc., Consulting Engineers, in Clarksburg, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions to the existing public waterworks system (the "Project") 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. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on November 7, 1997, as supplemented, and the Loan Agreement, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), dated November 7, 1997.

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 and related costs.

3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and any change orders approved by the Issuer and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least forty years, (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the 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, (v) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (vi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants

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

WITNESS my signature and seal on this 7th day of November, 1997.

[SEAL]

THRASHER ENGINEERING, INC.


H. Wood Thrasher, P.E.
West Virginia License No. 9478

10/28/97
723800/96002

DATE: 8/21/97

SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: Preston County PSD #4
ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

1.	Construction	\$	<u>2,456,000</u>	
2.	Technical Services	\$	<u>376,400</u>	
3.	Legal and Fiscal	\$	<u>13,500</u>	
4.	Administrative	\$	<u>70,000</u>	
5.	Site and Other Lands	\$	<u>35,000</u>	
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$	<u>N/A</u>	
7.	Interim Financing Costs	\$	<u>88,500</u>	
8.	Contingency	\$	<u>144,100</u>	
9.	Total of Lines 1 through 8			\$ <u>3,183,500</u>

B. Sources of Funds

10.	Federal Grants: ¹ (Specify Source)	USDA (RUS)	\$	<u>200,000</u>	
		USEDA	\$	<u>1,160,000</u>	
11.	State Grants: (Specify Source)	SCBG	\$	<u>750,000</u>	
		_____	\$	_____	
		_____	\$	_____	
12.	Other Grants: (Specify Source)	_____	\$	_____	
		_____	\$	_____	
13.	Any Other Source ² (Specify)	USDA (RUS) LOAN	\$	<u>800,000</u>	
		_____	\$	_____	
14.	Total of Lines 10 through 13				\$ <u>2,910,000</u>
15.	Net Proceeds Required from Bond Issue (Line 9 less Line 14)				\$ <u>273,500</u>

¹ Attach supporting documentation not previously submitted. If not yet available, state such and expectations as to availability.

² For example, interest earnings during construction, if applicable. Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation if available (if not yet available, state such and expectations as to availability).

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	\$ <u>N/A</u>	
17.	Funded Reserve Account ³	\$ <u>N/A</u>	
18.	Other Costs ⁴	\$ <u>16,500</u>	
19.	Total Cost of Financing (Lines 16 through 18)		\$ <u>16,500</u>
20.	Size of Bond Issue (Line 15 plus Line 19)		\$ <u>290,000</u>

Additional or explanatory material may be provided on additional sheets attached to Schedule A.



SIGNATURE OF AUTHORIZED
OFFICER OF APPLICANT



SIGNATURE OF ENGINEER

³ Consult with bond counsel and the Authority before assuming a funded reserve.

⁴ For example, fees of bond counsel for the Governmental Agency.

SMITH & SMITH
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF THE AMERICAN INSTITUTE OF CPAs

104 North Price Street
Kingwood, West Virginia 26537
Telephone 304.329.2790
Fax 304.329.2791

November 7, 1997

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)

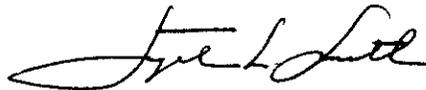
West Virginia Water Development Authority
Charleston, West Virginia

United States Department of Agriculture
Morgantown, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the Final Order of the Public Service Commission of West Virginia entered July 10, 1997, in Case No. 96-1524-PSD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Thrasher Engineering, Inc., it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of Preston County Public Service District No. 4 (the "Issuer"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority) and Series 1997 B (United States Department of Agriculture), and all other obligations secured by or payable from the revenues of the System on a parity with the Bonds, including the Issuer's Water Revenue Bonds, Series 1987, dated May 11, 1988.

Very truly yours,


Joseph L. Smith

Conrad Arnold and Margaret Blagg of the County Extension Service appeared before the Commission regarding some questions that the Commission had on Ms. Blagg's bills presented for payment. Commissioner Layman stated 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 this 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 than 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 \$185.00. 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.

Bessie Napier Hartman, Secretary

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 8.4 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 28th 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.

Mancy Rechar's

Delbert L. Benson

I, _____
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 _____
23th day of September 1983

Deborah R. DeBostrom

NOTARY PUBLIC

My commission expires 3/7/93

Kingwood, W. Va., _____

Amount for publishing notice hereto \$ _____

PUBLISHER

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 Gene Graham, 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 Rebert Clerk.

By Wayne DeBerry 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
Bruceston Mills, West Virginia
4. Katherine L. Jenkins
R#2
Albright, West Virginia

REGULAR SESSION

March 18, 1996

STATE OF WEST VIRGINIA, COUNTY OF PRESTON, Ss:

The Preston County Commission met in Regular Session on March 18, 1996, at 9:30 a.m. in the Commission Meeting Room.

The meeting was called to order by President Victoria Cole.

A roll call was taken with the following Commissioners present: Darwin Wolfe, Ronald Crites and Victoria Cole. Also present was Commission Secretary, Dianna Jackson and Chief Deputy Charlie Haney.

Commissioner Wolfe moved that President Cole be authorized to sign the title to the ambulance that is being sold by Mountaineer Ambulance. Motion was seconded by Commissioner Crites. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

Commissioner Crites moved that the following Order establishing the Economic Development Fund be adopted. Motion was seconded by Commissioner Wolfe. Discussion called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

ORDER

WHEREAS, the Preston County Commission on March 18, 1996, adopted an Order, pursuant to an Act of the Legislature, establishing the Economic Development Fund of Preston County, for the promotion of economic development of Preston County, and

WHEREAS, West Virginia Code 7-1-9 empowers County Commissions to establish special funds; and

WHEREAS, the Preston County Commission has found it necessary and appropriate to improve and promote the economic development of Preston County.

NOW, THEREFORE, BE IT ORDERED that those certain funds received from the sale and annual rental lease agreement of the former "Kinney Shoe Plant" be deposited into this special fund and used for the promotion of the economic development of Preston County.

Given under our hands and the Seal of the County of Preston this the 18th day of March, 1996.

PRESTON COUNTY COMMISSION

Victoria A. Cole
President

L. Darwin Wolfe
Commissioner

Ronald L. Crites
Commissioner

ATTEST:

Nancy Reckart, County Clerk

Ms. Jackson presented minutes for the meetings of March 11, 12, 13 and 14, 1996.

Commissioner Crites moved to appoint Brian Osborn to fill the unexpired term of Kermit Zinn as a Board Member of PSD No. 1, with Mr. Osborn's term to become effective on April 1, 1996, and to expire on January 31, 2001. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

At 10:30 a.m., President Cole declared the Public Hearing open on the Small Cities Block Grant for Public Service District No. 4.

Present for the hearing were Jim Hall, of Region VI and PSD No. 4 Board Members Edwin Liston and Carl Collins.

There have been no written comments received.

Mr. Hall explained this Public Hearing represents the last step in securing the grant for the project located in the Hopewell Area. The Small Cities Block Grant is one of three funding sources for this project, and will provide approximately \$750,000.

There being no further comments or discussion, President Cole declared the Public Hearing closed.

Attorney Sheila Williams presented a Petition with approximately 12 names in support of the annexation of Brandinn Acres, to the Town of Reedsville. The annexation would be accomplished by a minor boundary adjustment.

A Public Hearing was set for 7 p.m., April 16, 1996, on the matter of the annexation of Brandinn Acres to the Town of Reedsville.

Commissioner Wolfe moved that President Cole be authorized to sign invoices for the Arthurdale Heritage Project Nos. WV15SPG313 and WV15SPG501, as presented by Judy Celayir of Region VI. Motion was seconded by Commissioner Crites. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

Commissioner Crites moved that Sheriff Peaslee be authorized to enter a lease/purchase agreement, dated March 15, 1996, with Graham Chevrolet GEO, for a 1993 Chevrolet Caprice to be used for his daily transportation. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

Commissioner Crites moved to reappoint Robert Bailey to a six-year term as a Board Member of Public Service District No. 4, with said term to expire on February 21, 2002. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe and Crites voting yes and Commissioner Cole voting no. Motion carried.

ATTEST COPY

ATTEST: _____ CLERK, County Clerk
Putnam County, West Virginia

By: Patricia Willes Deputy

REGULAR SESSION

May 10, 1993

STATE OF WEST VIRGINIA, COUNTY OF PRESTON, Ss:

The Preston County Commission met in Regular Session on May 10, 1993, at 8:30 a.m. in the Commission Meeting Room.

The meeting was called to order by President Victoria Cole.

A roll call was taken with the following Commissioners present: Darwin Wolfe, Ronald Crites and Victoria Cole.

Commissioner Crites formally opened the meeting.

Commissioner Wolfe moved to enter Executive Session for the purpose of continuing discussion of the Kinney Shoe Plant. Motion was seconded by Commissioner Crites. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

EXECUTIVE SESSION

Commissioner Crites moved to leave Executive Session and reenter Open Session. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

Ms. Jackson read a letter from Sheila Marston, Acting Mayor, stating that the Town of Tunnelton requests that the Commission take the necessary action to replace Colleen Nordeck with Dick Adams as Tunnelton's representative to the Economic Development Authority. It was noted that the Commission appointed Ms. Nordeck several weeks ago, with approval from the Town of Tunnelton, when they were unsuccessful in finding someone from their town to serve. With no negative reflection whatsoever on Mr. Adams, Commissioners were hesitant to grant this request since Ms. Nordeck's appointment was so recently made and she has already attended one meeting and appears to be very interested. Commissioners tabled this issue until the May 17 meeting.

Commissioner Crites moved to reappoint Ed Liston to a six-year term as a Board Member to Public Service District No. 4. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

Commissioner Crites moved that the Commission write a congratulatory letter to Sharon Malone, a Kingwood Elementary Teacher, who has been named as an honoree for the 1993 Thanks to Teachers recognition program. Motion was seconded by Commissioner Wolfe. Discussion called for. Question called for. A roll call vote was taken with Commissioners Wolfe, Crites and Cole voting yes. Motion carried.

A TRUE COPY

ATTEST: _____
Preston County, West VirginiaBy: Patricia Wiles Deputy

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 of Public Service District No. 4

of Preston County, for the 6-year term commencing on the 15th
and terminating on the 15th day of July, 2003,
day of July, 19 97, to the best of my skill and judgment. So help me God.

(Sign Here) Carl Collins

Subscribed and sworn to before the undersigned this 29th day of September, 19 97

Jim Bolyard, Deputy

County Clerk
Kingwood, W. VA.

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 29th day of September, 19 97, at 12:52 P. M.

NANCY RECKART, Clerk
By Jim Bolyard, Deputy

A TRUE COPY

TEST: NANCY RECKART, County Clerk
Preston County, West Virginia
By Jim Bolyard Deputy

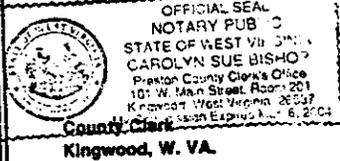
STATE OF WEST VIRGINIA, COUNTY OF PRESTON, SS:

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 Public Service District No. 4 Board Member

of Preston County, for the 6-year term term commencing on the 21st
day of Februaury 19 96 and ending February 21, 2002
to the best of my skill and judgment. So help me God.

(Sign Here) Robert Bailey

Subscribed and sworn to before the undersigned this 2nd day of April 1996



Carolyn Sue Bishop
Notary Public - My Commission expires
March 6, 2004

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 2nd day of April 1996, at 10:14 A.M.

NANCY RECKART, Clerk
By Sue Bishop Deputy

By Patricia Whites Deputy

STATE OF WEST VIRGINIA, COUNTY OF PRESTON, SS:

I, Edwin Liston 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 Preston County Public Service District No. 4

of Preston County, for the 6-year term commencing on the 29th
day of April 19 93 and ending on the 29th day of April, 1999
to the best of my skill and judgment. So help me God.

(Sign Here) Edwin Liston

Subscribed and sworn to before the undersigned this 14 day of June, 19 93

Jane Graham, Deputy

County Clerk
Kingwood, W. VA.

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 14th day of June, 19 93 at 10:08 A.M.

NANCY RECKART, Clerk
By Jane Graham Deputy

ATTEST

County Clerk
Preston County, West Virginia

By Patricia Wiles Deputy

RULES OF PROCEDURE

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

ARTICLE I

NAME AND PLACE OF BUSINESS

4. Section 1. Name: Preston County Public Service District No.

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 Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the 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. 4NOTICE 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 or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

Certificate of Publication

LEGAL NOTICE

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

NOTICE IS HEREBY GIVEN to the residents of Preston County Public Service District No. 4 (the "District"), Preston County, West Virginia, that the District intends to acquire, construct, operate and maintain certain public service properties, including water facilities in the Shady Grove, Glade Farms, Hazelton and Ruckon areas of Preston County, consisting of waterline extensions, a new water storage tank and booster pump station and all appurtenant facilities (the "Project") to serve 235 additional customers in the District.

The estimated total cost of the Project is \$3,200,000. The District contemplates financing the cost of the Project through the issuance of its water revenue bonds in the aggregate principal amount of not to exceed \$800,000, at an interest rate not to exceed 5% per annum and with maturities not to exceed 40 years, to the United States Department of Agriculture, and its water revenue bonds in the aggregate principal amount of not to exceed \$290,000, at an interest rate not to exceed 6% per annum and with maturities not to exceed 40 years, to the West Virginia Water Development Authority. The District contemplates financing the remaining cost of the Project through grants from the United States Department of Agriculture in an amount not to exceed \$200,000, the United States Department of Housing and Urban Development (Small Cities Block Grant) in an amount not to exceed \$750,000 and the United States Department of Commerce, Economic Development Administration in an amount not to exceed \$1,190,000.

The anticipated rates which will be charged by the District for water service are estimated not to exceed the following:

RATES

- Applicable in entire territory served.
- Available for general domestic, commercial and industrial service.
- First 3,000 gallons at \$5.00 per 1000 gallons
- Over 3,000 gallons at \$3.00 per 1000 gallons
- (Minimum Monthly Bill - \$18.00 for 3,000 gallons)

MINIMUM CHARGE

No bill shall be rendered for less than the following amounts according to the size of meter installed:

5/8	inch meter, or less	\$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	\$270.00 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 tariff is net. Any account not paid in full within 20 days of the date of bill, 10% will be added to the amount due. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

If any bill is not paid within 60 days after the date of bill, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

CONNECTION CHARGE

A connection charge of \$300 will be made for every new subscriber requiring a new connection where the meter is 1 inch or less.

Where the new connection involves a meter larger than 1 inch, the connection charge will be actual cost.

RECONNECTION CHARGE

\$20.00

The District will file its formal application for a certificate of public convenience and necessity for the acquisition and construction of the Project with the Public Service Commission of West Virginia, on February 26, 1997, or as soon thereafter as practicable. This Notice is published pursuant to West Virginia Code Section 16-13A-25.

Robert A. Bailey
Chairman, Preston County
Public Service District No. 4
1/25, 2/1

I, Carol Peters, Advertising Manager of the Preston County News, a weekly newspaper published at Terra Alta, West Virginia, do hereby certify that the annexed public notice

Preston County Public Service District 4 has been published for Two consecutive weeks in said newspaper, beginning with the issue of Jan 25, 1997 and expiring with the issue of Feb 1, 1997

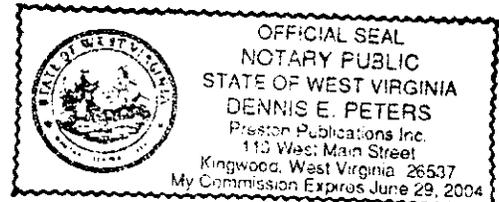
Carol Peters, Advertising Manager

Sworn to and subscribed before me this, the

4th day of, February 19 97

Dennis Peters Notary Public

My commission expires 6/29/2004



26 A

Certificate of Publication

LEGAL NOTICE

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

NOTICE IS HEREBY GIVEN to the residents of Preston County Public Service District No. 4 (the "District"), Preston County, West Virginia, that the District intends to acquire, construct, operate and maintain certain public service properties, constituting water facilities in the Shady Grove, Glade Farms, Hazelton and Bruceston areas of Preston County, consisting of waterline extensions, a new water storage tank and booster pump station and all appurtenant facilities (the "Project") to serve 235 additional customers in the District.

The estimated total cost of the Project is \$3,200,000. The District contemplates financing the cost of the Project through the issuance of its water revenue bonds in the aggregate principal amount of not to exceed \$800,000, at an interest rate not to exceed 5% per annum and with maturities not to exceed 40 years, to the United States Department of Agriculture, and its water revenue bonds in the aggregate principal amount of not to exceed \$290,000, at an interest rate not to exceed 8% per annum and with maturities not to exceed 40 years, to the West Virginia Water Development Authority. The District contemplates financing the remaining cost of the Project through grants from the United States Department of Agriculture in an amount not to exceed \$200,000, the United States Department of Housing and Urban Development (Small Cities Block Grant) in an amount not to exceed \$750,000 and the United States Department of Commerce, Economic Development Administration in an amount not to exceed \$1,160,000.

The anticipated rates which will be charged by the District for water service are estimated not to exceed the following:

RATES

Applicable in entire territory served.

Available for general domestic, commercial and industrial service.

First 3,000 gallons at \$6.00 per 1000 gallons

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(Minimum Monthly Bill - \$18.00 for 3,000 gallons)

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If any bill is not paid within 60 days after the date of bill, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

CONNECTION CHARGE

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Where the new connection involves a meter larger than 1 inch, the connection charge will be actual cost.

RECONNECTION CHARGE

\$20.00

The District will file its formal application for a certificate of public convenience and necessity for the acquisition and construction of the Project with the Public Service Commission of West Virginia, on February 26, 1997, or as soon thereafter as practicable. This Notice is published pursuant to West Virginia Code Section 16-13A-25.

Robert A. Bailey
Chairman, Preston County
Public Service District No. 4
Kingwood, W.V.

Received of _____

Amount for publishing notice hereto \$ _____

I, Carol Peters

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

P.C.P.S.D. No 4 Notice

a copy of which notice is hereto annexed, was

published in said paper for Two

successive weeks, beginning with its issue of

Jan 29, 1997

and expiring with its issue of

Feb 5, 1997

And, I do further certify that on

Feb 5, 1997

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

Carol Peters

ADVERTISING MANAGER

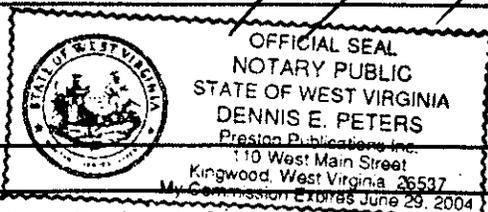
Subscribed and sworn to before me this the

6th day of February, 19 97.

Dennis Peters

NOTARY PUBLIC

My commission expires 6/29/2004



ADVERTISING MANAGER

268

PRESTON COUNTY PSD # 4
RT. 2 BOX 350
ALBRIGHT, WV. 26519

1-13-97

MEETING CALLED TO ORDER AT 7:00 PM BY ROBERT BAILEY.

BOARD MEMBERS PRESENT;
ROBERT BAILEY CHAIRMAN
EDWIN LISTON TREASURER

MOTION BY ED LISTON TO WAVE READING OF THE LAST MINUTES, 2 ND. BY ROBERT BAILEY.

MOTION BY ED LISTON FOR THE BOARD OFFICERS TO REMAIN THE SAME FOR THE 1997 YEAR AS WAS IN 1996, MOTION 2 ND. BY ROBERT BAILEY, BY VOICE VOTE 2 FOR 0 AGAINST.

✓ BOARD MEMBERS FOR 1997 ARE;
ROBERT BAILEY CHAIRMAN
EDWIN LISTON TREASURER
CARL COLLINS SECRETARY

SCOTT CRANE REPORTED THAT MR. ROBERT RINGER COMPLAINED THAT HE THOUGHT THAT HIS LAST METER READING IN NOVEMBER 1996 WAS WRONG, AFTER A DISCUSSION BY THE BOARD, ED LISTON MADE A MOTION THAT MR. RINGER BE GIVEN A CREDIT OF \$18.00 HIS BILL IS \$56.40 LESS \$18.00 = \$38.40 MOTION 2 ND. BY ROBERT BAILEY, SMITH & SMITH WILL BE AUTHORIZED TO CREDIT MR. RINGERS ACCOUNT FOR \$18.00.

ROBERT BAILEY REPORTED THAT THERE IS A MEETING WITH BRUCETON MILLS ON 1-14-97 AT 7:00 PM ABOUT AMENDING THE WATER PURCHASE CONTRACT THAT IS NOW IN EFFECT TO ALLOW PSD # 4 TO PURCHASE THE NECESSARY WATER TO SUPPLY THE NEW WATER EXPANSION PROJECTS, ROBERT BAILEY AND ED LISTON IS TO GO THE MEETING ALONG WITH A REPRESENTATIVE FROM THRASHER ENGINEERING.

BILLS PRESENTED FOR PAYMENT;

CHECK #		\$ AMOUNT
2200--ALT	meeting rent	40.00
2201--Robert Bailey	salary	50.00
2202--Edwin Liston	salary	50.00
2203--Bruceton Bank	Dec. bill collection	25.00
2204--Bruceton Bank	safety deposit box - rent	15.90
2205--USDA	payment	1817.00
2206--Bruceton Bank	reserve fund	200.00
2207--Bruceton Bank	depreciation fund	187.00
2208--Bruceton Water Dept.	Dec. water bill	1004.74
2209--Smith & Smith	Dec. services	420.00
2210--Allegheny Power	electric	14.52
2211--WVDHHR Lab. Serv.	bacteria tests	20.00
2212--Greenbrier Agg.	stone	84.65
2213--Jim Crane	labor	211.14
2214--Dan Strawser	labor	78.13
2215--Scott Crane	labor	1436.37
	total	5654.45

Motion by Ed Liston to pay these bills 2 nd. by Robert Bailey.
Motion by Ed Liston to adjourn meeting, 2 nd. by Robert Bailey.
Meeting adjourned at 8:30 pm.

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)

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

I, CARL COLLINS, SECRETARY of the Public Service Board of Preston County Public Service District No. 4, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Preston County Public Service District No. 4 met in special session, pursuant to notice duly posted, on the 7th day of November, 1997, in Kingwood, West Virginia, at the hour of 11:00 a.m.

PRESENT:	Robert Bailey	-	Chairman and Member
	Carl Collins	-	Secretary and Member
	Edwin Liston	-	Treasurer and Member

Robert Bailey, Chairman presided, and Carl Collins acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was now open for any business properly before it. Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC 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.

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

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

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.

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

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



Chairman



Secretary

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of a special meeting of said Public Service Board held November 7, 1997, and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 7th day of November, 1997.

Carl Collins
Secretary

10/29/97
723800/96002

2

3

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

November 7, 1997

BANK ONE CENTER, SEVENTH FLOOR
P. O. BOX 1888
CHARLESTON, W. VA. 25326-1888
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2628
MARTINSBURG, W. VA. 25402-2628
(304) 263-6881
FACSIMILE (304) 263-4785

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 728-1414
FACSIMILE (304) 728-1913

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

THE RIVERS OFFICE PARK
200 STAR AVENUE, SUITE 220
P. O. BOX 828
PARKERSBURG, W. VA. 26109-0828
(304) 422-8463
FACSIMILE (304) 422-8482

WRITER'S DIRECT DIAL NUMBER

Preston County Public Service District No. 4
Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Internal Revenue Service
Internal Revenue Service Center
Philadelphia, Pennsylvania 19255

Ladies and Gentlemen:

Enclosed herewith is a completed and executed Internal Revenue Service Form 8038-G and a file copy thereof with regard to the above-captioned issue. Please file the original form in the appropriate Internal Revenue Service records and return the copy marked in red as the "File Copy" to me (after acknowledging receipt of the same) in the enclosed self-addressed, stamped envelope. Thank you for your attention to this matter.

Very truly yours,

Step toe & Johnson

Step toe & Johnson

Enclosures

Copy of letter with enclosure to:

Samme L. Gee, Esquire

Robert Bailey, Chairman

723800/96002

If Amended Return, check here

Reporting Authority

1 Issuer's name

Preston Co. Public Service District No. 4

2 Issuer's employer identification number

55 0676070

3 Number and street (or P.O. box if mail is not delivered to street address)

Route 2, Box 381

4 Report number
G19 97 - 1

5 City, town, or post office, state, and ZIP code

Albright, West Virginia 26519

6 Date of issue
November 7, 1997

7 Name of issue
Preston Co. Public Service District No. 4
Water Revenue Bonds, Series 1997 A (WV Water Development Authority)

8 CUSIP number
N/A

Part II Type of Issue (check applicable box(es) and enter the issue price)

Table with 18 rows for issue types: Education, Health and hospital, Transportation, Public safety, Environment (checked), Housing, Utilities, Other. Includes issue price of \$290,000 for Environment.

Part III Description of Obligations

Table with 7 columns: (a) Maturity date, (b) Interest rate, (c) Issue price, (d) Stated redemption price at maturity, (e) Weighted average maturity, (f) Yield, (g) Net interest cost. Row 19: Final maturity 10/1/2035, Interest rate 6.250%, Issue price \$18,964.28, Stated redemption price \$18,964.28. Row 20: Entire issue, Issue price \$290,000, Stated redemption price \$290,000, Weighted average maturity 26.133 years, Yield 6.250623%, Net interest cost 6.250%.

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

Table with 29 rows for uses of proceeds. Row 21: Proceeds used for accrued interest. Row 22: Issue price of entire issue \$290,000. Row 23: Proceeds used for bond issuance costs \$8,250. Row 24: Proceeds used for credit enhancement. Row 25: Proceeds allocated to reasonably required reserve or replacement fund. Row 26: Proceeds used to currently refund prior issues. Row 27: Proceeds used to advance refund prior issues. Row 28: Total (add lines 23 through 27) \$8,250. Row 29: Nonrefunding proceeds of the issue (subtract line 28 from line 22 and enter amount here) \$281,750.

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

Table with 33 rows for refunded bonds. Row 30: Enter the remaining weighted average maturity of the bonds to be currently refunded. Row 31: Enter the remaining weighted average maturity of the bonds to be advance refunded. Row 32: Enter the last date on which the refunded bonds will be called. Row 33: Enter the date(s) the refunded bonds were issued.

Part VI Miscellaneous

Table with 37 rows for miscellaneous information. Row 34: Enter the amount of the state volume cap allocated to the issue under section 141(b)(5). Row 35: Enter the amount of the bonds designated by the issuer under section 265(b)(3)(B)(i)(iii) (small issuer exception). Row 36a: Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions). Row 37: Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units. b If this issue is a loan made from the proceeds of another tax-exempt issue, check box and enter the name of the issuer West Virginia Water Development Authority and the date of the issue January 9, 1996.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Please Sign Here

Signature of issuer's authorized representative: Robert A. Bailey

Date: 11/7/97

Type or print name and title: Robert Bailey, Chairman

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: November 7, 1997

(See Reverse for Instructions)

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4
ISSUE: WATER REVENUE BONDS, SERIES 1997 A (WV Water Development Authority)
ADDRESS: Route 2, Box 387, Albright, WV 26519 **COUNTY:** Preston
PURPOSE New Money **OF ISSUE:** Refunding **Refunds issue(s) dated:** _____
ISSUE DATE: November 7, 1997 **CLOSING DATE:** November 7, 1997
ISSUE AMOUNT: \$ 290,000 **RATE:** 6.25%
1st DEBT SERVICE DUE: 4/1/98 **1st PRINCIPAL DUE:** 10/01/98, \$1,822.09
1st DEBT SERVICE AMOUNT: \$7,250 **PAYING AGENT:** Municipal Bond Commission

ISSUERS BOND COUNSEL: <u>Steptoe & Johnson</u> Contact Person: <u>Vincent A. Collins, Esq.</u> Phone: <u>624-8161</u>	UNDERWRITERS BOND COUNSEL: <u>Jackson & Kelly</u> Contact Person: <u>Samme L. Gee, Esq.</u> Phone: <u>340-1318</u>
CLOSING BANK: <u>Bruceton Bank</u> Contact Person: <u>Ronald Fike</u> Phone: <u>379-2111</u>	ESCROW TRUSTEE: _____ Contact Person: _____ Phone: _____
KNOWLEDGEABLE ISSUER CONTACT Contact Person: <u>Robert Bailey</u> Position: <u>Chairman</u> Phone: <u>379-3962</u> FAX: _____	OTHER: <u>WV Water Development Authority</u> Contact Person: <u>Daniel B. Yonkosky</u> Function: <u>Executive Director</u> Phone: <u>558-3612</u>

DEPOSITS TO MBC AT CLOSE:

By <input type="checkbox"/> Wire	<input type="checkbox"/> Accrued Interest:	\$ _____
<input type="checkbox"/> Check	<input type="checkbox"/> Capitalized Interest:	\$ _____
	<input type="checkbox"/> Reserve Account:	\$ _____
	<input type="checkbox"/> Other:	\$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By <input type="checkbox"/> Wire	<input type="checkbox"/> To Escrow Trustee:	\$ _____
<input type="checkbox"/> Check	<input type="checkbox"/> To Issuer:	\$ _____
<input type="checkbox"/> IGT	<input type="checkbox"/> To Cons. Invest. Fund:	\$ _____
	<input type="checkbox"/> To Other:	\$ _____

NOTES:

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

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)

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

Bruceton Bank, a state banking corporation, in Bruceton Mills, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Preston County Public Service District No. 4 (the "Issuer"), adopted November 7, 1997, and a Supplemental Resolution of the Issuer adopted November 7, 1997 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority) and Series 1997 B (United States Department of Agriculture), both dated November 7, 1997, in the respective principal amounts of \$290,000 and \$800,000 (collectively, the "Bonds"), and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature this 7th day of November, 1997.

BRUCETON BANK



Vice President

10/28/97
723800/96002

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

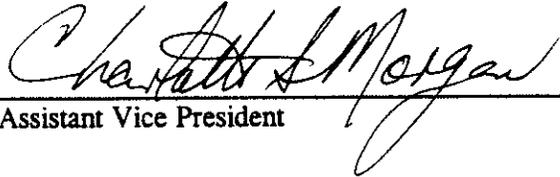
Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

ACCEPTANCE OF DUTIES AS REGISTRAR OF SERIES 1997 A BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Preston County Public Service District No. 4 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), dated November 7, 1997, in the principal amount of \$290,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 7th day of November, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

10/28/97
723800/96002

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

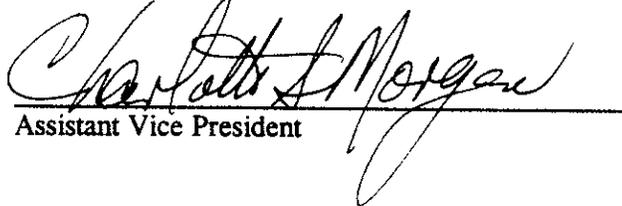
Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)

CERTIFICATE OF REGISTRATION OF SERIES 1997 A BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, in Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned bonds of Preston County Public Service District No. 4 (the "Issuer"), hereby certifies that on the day hereof, the single, fully registered Preston County Public Service District No. 4 Water Revenue Bond, Series 1997 A (West Virginia Water Development Authority), of the Issuer, dated November 7, 1997, in the principal amount of \$290,000, numbered AR-1, was registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 7th day of November, 1997.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,


Assistant Vice President

10/28/97
723800/96002

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 7th day of November, 1997, by and between PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$290,000 Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), in fully registered form (the "Bonds"), pursuant to a Bond Resolution of the Issuer adopted November 7, 1997, and a Supplemental Resolution of the Issuer adopted November 7, 1997 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

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:

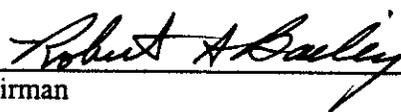
ISSUER: Preston County Public Service District No. 4
Route 2, Box 381
Albright, West Virginia 26519
Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

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

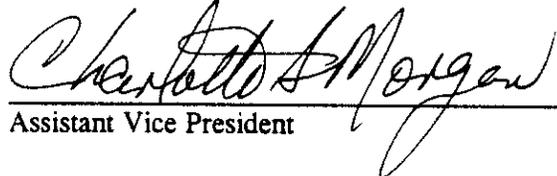
IN WITNESS WHEREOF, PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 and ONE VALLEY BANK, NATIONAL ASSOCIATION, have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first written above.

PRESTON COUNTY PUBLIC SERVICE
DISTRICT NO. 4



Chairman

ONE VALLEY BANK, NATIONAL
ASSOCIATION



Assistant Vice President

10/28/97
723800/96002

EXHIBIT A

Bond Legislation included in transcript as Documents No. 1 and 2

Invoice

**ONE VALLEY
BANK**

PRESTON COUNTY PUBLIC SERVICE DISTRICT
NO. 4

DATE NOVEMBER 7, 1997

UNITS	ITEM DESCRIPTION	TOTAL
	<p>PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4 \$290,000 WATER REVENUE BONDS, SERIES 1997 A (WDA)</p> <p>ONE TIME FEE FOR SERVICES AS REGISTRAR AND AUTHENTICATING AGENT.....</p>	<p>\$250.00</p>

SEND REMITTANCE TO: One Valley Bank
One Financial Place - 6th Floor
One Valley Square
P.O. Box 1793
Charleston, WV 25326

ATTN: CHARLOTTE S MORGAN

PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

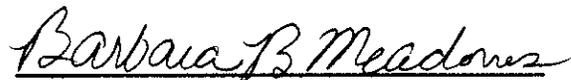
**Water Revenue Bonds,
Series 1997 A (West Virginia Water Development Authority)**

ASSIGNMENT SEPARATE FROM SERIES 1997 A BONDS

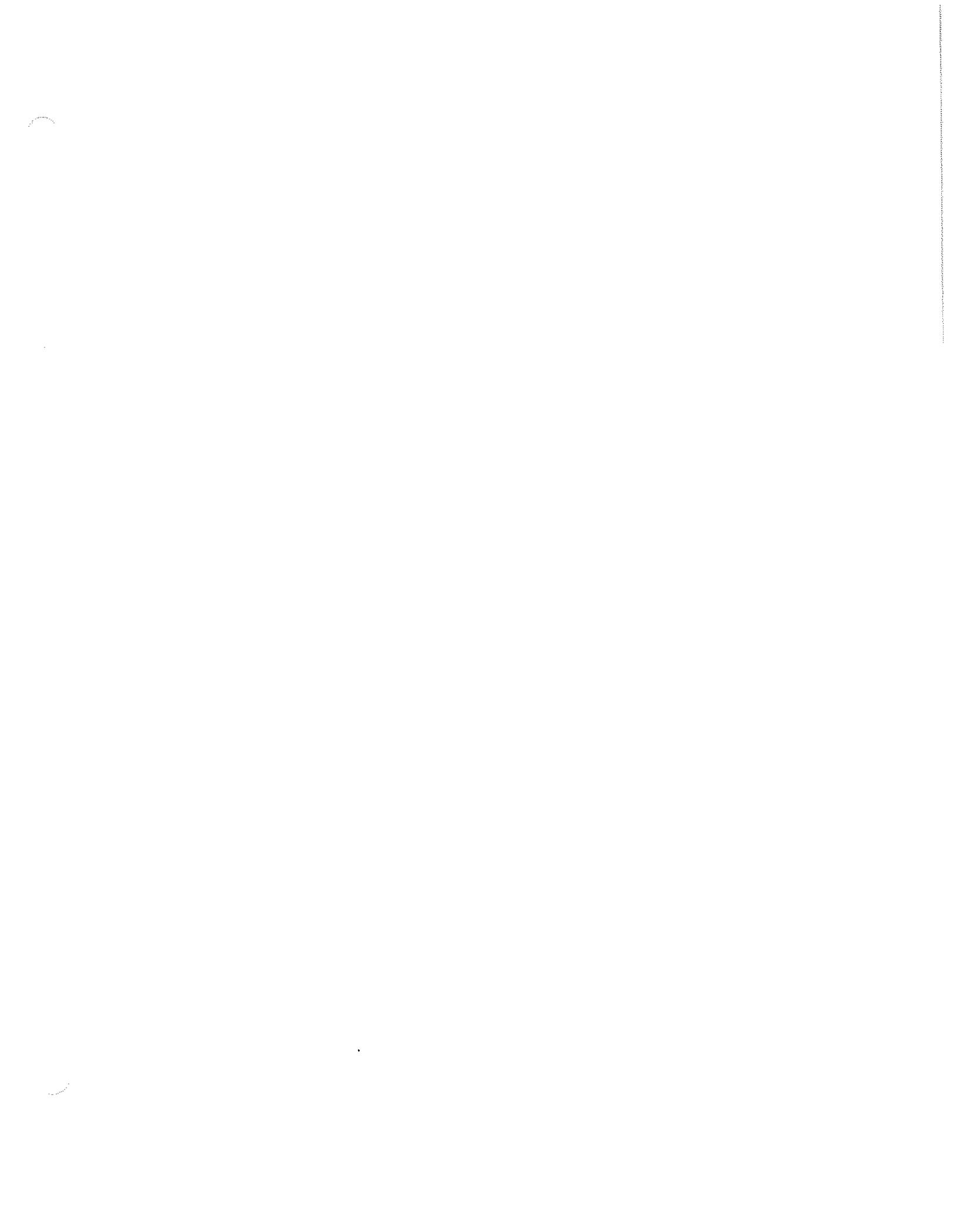
FOR VALUE RECEIVED, the West Virginia Water Development Authority hereby sells, assigns and transfers unto The Bank of New York, New York, New York, the Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority), of Preston County Public Service District No. 4 in the principal amount of \$290,000, numbered AR-1, dated November 7, 1997, standing in the name of the West Virginia Water Development Authority on the books of said Issuer.

WITNESS my signature on this 7th day of November, 1997.

**WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY**


Authorized Representative

10/29/97
723800/96002



PRESTON COUNTY PUBLIC SERVICE DISTRICT NO. 4

Water Revenue Bond, Series 1987

BOND RESOLUTION

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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 or 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. Lister
Chairman of Public Service Board

Edwin R. Lister
Member

Robert A. 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 other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

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. Leston
Chairman

Robert A. Baulay
Member

Edwin Leston
Member

05/03/88
PRES1-Q



RURAL
UTILITIES
SERVICE

Federal Building, Room 320
75 High Street
Morgantown, WV 26505-7500
TELEPHONE: (304) 291-4796
FAX: (304) 291-4032
TTY/TDD: (304) 284-5941

United States
Department of
Agriculture
Rural Development

COPY

November 7, 1997

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)

TO WHOM IT MAY CONCERN:

The undersigned STATE DIRECTOR of the United States Department of Agriculture, Rural Development, the present holder of all of the outstanding Prior Bond, hereinafter defined and described, hereby (i) consents to the issuance of the above-captioned Water Revenue Bonds, Series 1997 A (West Virginia Water Development Authority) and Series 1997 B (United States Department of Agriculture) (collectively, the "Bonds"), by Preston County Public Service District No. 4 (the "Issuer"), in the respective principal amounts of \$290,000 and \$800,000, under the terms of the resolution adopted November 7, 1997, authorizing the Bonds (the "Resolution"), on a parity as to liens, pledge and source of and security for payment, and in all respects, with the Issuer's Water Revenue Bond, Series 1987, dated May 11, 1988 (the "Prior Bond"); (ii) waives any requirements imposed by the Prior Bond or the resolution authorizing the Prior Bond (the "Prior Resolution"), regarding the issuance of parity bonds which are not met by the Bonds and the Resolution; and (iii) consents to any amendments made to the Prior Resolution by the Resolution.


ROBERT D. LEWIS
State Director
USDA Rural Development

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

ASSOCIATION WATER OR SEWER SYSTEM GRANT AGREEMENT

THIS AGREEMENT dated _____, 19 96, between

Preston County Public Service District No. 4

a public corporation organized and operating under Chapter 16, Article 13A of the Code of
West Virginia

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Farmers Home Administration, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under its jurisdiction at an estimated cost of \$ 1,750,000 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 800,000 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 750,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 200,000 or 75 percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

NOW, THEREFORE. In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 75 percent of the development costs, as defined by applicable Farmers Home Administration instructions.

GRANTEE AGREES THAT GRANTEE WILL:

- A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.
- B. Permit periodic inspection of the construction by a representative of Grantor during construction.
- C. Comply with any measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- D. Comply with all applicable state and federal laws and regulations and manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.
- E. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, as approved by the Public Service Commission

whether for one or more classes of service, ~~as approved by the Public Service Commission~~, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0074), Washington, D.C. 20503.

F. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

G. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within jurisdiction.

H. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

I. To execute Forms FmHA 400-1, "Equal Opportunity Agreement," and FmHA 400-4, "Assurance Agreement," and any other agreements required by Grantor which Grantee is legally authorized to execute. If any such forms have been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this Grant, another form of the same type need not be executed in connection with this Grant.

J. Upon any default under its representations or agreements set forth in this instrument, or in the instruments incident to the awarding of the grant, Grantee, at the option and demand of Grantor, to the extent legally permissible, will repay to grantor forthwith the original amount of the grant received with the interest accruing thereon from the date of default at the market rate for water and waste disposal loan assistance in effect on the date hereof or at the time the default occurred, whichever is greater. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it of previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

K. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

L. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantor may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency and pay the Federal Government an amount computed by applying the Federal percentage of participation in the cost of the original project to the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sale proceeds). When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

The Grant Agreement covers the following described real property (use continuation sheets as necessary).

None

M. Abide by the following conditions pertaining to nonexpendable personal property which is furnished by the Grantor or acquired wholly or in part with grant funds. Nonexpendable personal property means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit. A Grantee may use its own definition of nonexpendable personal property provided such definition would at least include all tangible personal property as defined above.

1. Use of nonexpendable property.

(a) The Grantee shall use the property in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the property in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by FmHA.

(2) Activities sponsored by other Federal agencies.

(b) During the time that nonexpendable personal property is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the property was originally acquired. First preference for such other use shall be given to FmHA sponsored projects. Second preference will be given to other Federally sponsored projects.

~~disposition of nonexpendable property when the Grantee no longer needs the property as provided in paragraph~~
(a) above, the property may be used for other activities in accordance with the following standards:

(a) Nonexpendable property with a unit acquisition cost of less than \$1,000. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the property and retain the proceeds.

(b) Nonexpendable personal property with a unit acquisition cost of \$1,000 or more. The Grantee may retain the property for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value of the property. If the Grantee has no need for the property and the property has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the property can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the property shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the property exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee request and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the property and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share \$100 or ten percent of the proceeds, whichever is greater, for the Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the property elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the property, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the property, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for nonexpendable personal property shall also include:

(a) Property records which accurately provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; percentage (at the end of budget year) of Federal participation in the cost of the project for which the property was acquired; location, use and condition of the property and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of property shall be taken and the results reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the property in good condition.

(e) Proper sales procedures shall be established for unneeded property which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described nonexpendable property (use continuation sheets as necessary).

See Attached Sheet

N. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

O. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm copies may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

P. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

Q. Provide an audit report prepared in sufficient detail to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Preston County Public Service District No. 4
Attachment to Association Water or Sewer System
Grant Agreement

Route 73 West extension with approximately 31,000 LF of 6" C-900 CI 150 pipe; the Shady Grove extension with approximately 12,000 LF of 6" and 4" C-900 CI 150 pipe and 800 LF of 2" PVC CI 250 pipe; the Moyers Road extension with approximately 9,100 LF of 6" and 4" C-900 CI 150 pipe and 2,000 LF of 2" PVC CI 250 pipe and the Hazelton extension with approximately 11,400 LF of 6" and 4" PVC C-900 CL 200 Pipe; and all necessary gate valves, fire hydrants, meter settings, air release valves, and steel casing. The project also includes upgrades to the Bruceton Mills water supply by drilling an additional well and making improvements to their treatment facility to enable Bruceton Mills to supply the additional water needed for this project.

R. Agree to account for and to return to Grantor interest earned on grant funds pending this disbursement for program purposes when the Grantee is a unit of local government or a nonprofit organization. States and agencies or instrumentalities of states shall not be held accountable for interest earned on grant funds pending their disbursement.

S. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly in part with Grantor funds without the written consent of the Grantor except as provided in items K and L above.

T. Include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

U. In construction contracts in excess of \$2,000 and in other contracts in excess of \$2,500 which involve the employment of mechanics or laborers, to include a provision for compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR, Part 5).

V. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. §1875C-9) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. Such regulations and guidelines can be found in 40 CFR 15.4 and 40 FR 17126 dated April 16, 1975. In so doing the Contractor further agrees:

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR 15.20 as of the date of contract award.

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

W. The following clause is applicable to nonprofit organizations:

As a condition of this Grant or Cooperative Agreement, the recipient assures and certifies that it is in compliance with and will comply in the course of the Agreement with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated in this Agreement by reference, and such statutory provisions as are specifically set forth herein.

GRANTOR AGREES THAT IT:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 200,000

which it will advance to Grantee to meet not to exceed 75 percent of the development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

TERMINATION OF THIS AGREEMENT

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in Paragraph 1 above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

IN WITNESS WHEREOF Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

and attested and its incorporated seal affixed by its duly authorized Secretary

ATTEST:

Carl Collins

Secretary
(Title)

By Robert Bailey
Robert Bailey

Chairman
(Title)

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By Darrel D. Lipscomb
DARREL D. LIPSCOMB

Rural Development Specialist
Rural Utilities Service



OCT. -09' 97 (THU) 14:52

USDA/RECD

TEL: 304 636 5902

P. 003

~~JUN-17-97 TUE 08:51~~

COMMUNITY DEVELOPMENT

FAX NO. 304-559-3248

F. 02



Cecil H. Underwood, Governor

WEST VIRGINIA DEVELOPMENT OFFICE

1900 KANAWHA BOULEVARD, EAST
CHARLESTON, WV 25306-0311

June 5, 1997

The Honorable Victoria Cole
President
Preston County Commission
101 West Main Street
Kingwood, West Virginia 26537

Dear Commissioner Cole:

RE: 1995 Small Cities Block Grant
Preston County Public Service District No. 4 Water Extension
Notice of Removal of Grant Conditions Based on Environmental Requirements

On May 19, 1997, the Community Development Division received your "Request for Release of Funds and Certification" pertaining to the above-referenced activities.

No objections to the release of such funds or to the Certification have been received by this office, and a period of 15 days from and after the receipt of such Request and Certification has expired.

Any and all conditions in the grant agreement authorized by the state on April 11, 1996, respecting said project and funding thereof, to the extent the same are based upon the pending environmental review and clearance, are hereby removed.

Effective Date June 5, 1997

For environmental release purposes, this letter constitutes your authority to use Small Cities Block Grant funds in the amount of \$750,000 for the above-referenced activities.

Any future environmental objections to the above activities received after the effective date will be referred to the recipient for resolution.

Sincerely

A handwritten signature in cursive script, appearing to read "Fred Cutlip".

Fred Cutlip, Director
Community Development Division

FC:ana

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2



U.S. DEPARTMENT OF COMMERCE
 Economic Development Administration
 The Curtis Center
 Suite 140 South
 Independence Square West
 Philadelphia, Pennsylvania 19106

MAR 21 1966

In reply refer to:
 Award No.: 01-01-03390

Mr. Robert Bailey, Chairman
 Preston County Public Service
 District No. 4
 c/o Preston County Commission,
 County Courthouse
 Kingwood, West Virginia 26337

Dear Mr. Bailey:

We are pleased to inform you that the Economic Development Administration (EDA) has approved a Financial Assistance Award in an amount not to exceed \$1,160,000 in response to your application for Federal assistance for construction of an extension to the water distribution system in Preston County, West Virginia.

The total project cost is \$1,450,000 which is based on the line item estimates contained in Attachment No. 1.

Enclosed are two signed copies of the Financial Assistance Award. Your agreement to the terms and conditions of the award should be indicated by the signature of your principal official on both of the signed copies of the Financial Assistance Award. One of the executed copies should be returned within 15 days after receipt to the Director, Philadelphia Regional Office, Economic Development Administration, The Curtis Center, Suite 140 South, Independence Square West, Philadelphia, Pennsylvania 19106.

You are cautioned not to make any commitments in reliance on this award, nor to enter into negotiations relative hereto, until you have carefully reviewed the terms and conditions and have determined that you are in compliance or that you can comply therewith. Any commitments or undertakings entered into prior to obtaining the approval of the Government in accordance with its regulations and requirements will be at your own risk.

Sincerely,

John E. Corrigan
 Regional Director

Enclosures

cc: Project, RD, Chron, BDK

WATER PURCHASE CONTRACT

This **CONTRACT** for the sale and purchase of water is entered into as of the 3rd day of February, 1987, between the Town of Bruceton, a municipal corporation, P. O. Box 302, Bruceton Mills, West Virginia, 26525, hereinafter referred to as "SELLER" and the Preston County Public Service District No. 4, Route 1, Box 133, Albright, West Virginia, 26519, hereinafter referred to as "PURCHASER".

WITNESSETH: WHEREAS, the PURCHASER is organized and established under the provisions of 16-13A-2 of the Code of West Virginia, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the PURCHASER and to accomplish this purpose, the PURCHASER will require a supply of treated water, and

WHEREAS, the SELLER owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the SELLER'S system and, if funded by the PURCHASER, is willing to increase its water supply and facilities to be able to serve through PURCHASER as SELLER'S wholesale customer, the estimated number of water users to be served by the said PURCHASER as shown in the plans of the system now on file in the office of the PURCHASER, and

WHEREAS, by Resolution No. _____ enacted on the 3rd day of February, 1987, by the SELLER, the sale of water to the PURCHASER in accordance with the provisions of the said Resolution was approved, and the execution of this Contract carrying out the said Resolution by the Mayor

and attested by the Secretary, was duly authorized, and

WHEREAS, by Resolution of the Board of the PURCHASER, enacted on the 21st day of November, 1983, the purchase of water from the SELLER in accordance with the terms set forth in the said Resolution was approved, and the execution of this Contract by the President, and attested by the Secretary was duly authorized;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. THE SELLER AGREES:

1. (Quality and Quantity) To furnish the PURCHASER at the point of delivery hereinafter specified, during the term of this Contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the West Virginia Health Department in such quantity as may be required by the PURCHASER not to exceed 1,500,000 gallons per month.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at 25 psi from an existing eight (8) inch main supply at a point located along West Virginia Route 26 east of Bruceton Mills. If a greater pressure than that normally available at the point of delivery is required by the PURCHASER, the cost of providing such greater pressure shall be borne by the PURCHASER. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the SELLER from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To operate and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the PURCHASER and to calibrate such metering equipment whenever requested by the PURCHASER but not more frequently than once every twelve (12) months. A meter registering not more than two percent

(2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the two (2) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless SELLER and PURCHASER shall agree upon a different amount. The metering equipment shall be read monthly. An appropriate official of the PURCHASER at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the PURCHASER at the above address not later than the 10th day of each month, with an itemized statement of the amount of water furnished the PURCHASER during the preceding month.

B. THE PURCHASER AGREES:

1. (Rates and Payment Date) To pay the SELLER, not later than the 20th day of each month for water delivered under this Agreement in accordance with the following schedule of rates established, or to be established, by municipal ordinance of the Town of Bruceton as Rate Schedule No. 2, attached hereto and made a part hereof. It is further provided that the PURCHASER shall pay such other rates and charges under the terms and provisions of this agreement, as may hereafter be legally enacted, required and made effective for the sale of water by SELLER to PURCHASER and accepted and approved by SELLER.

2. (Connection Fee) To pay to SELLER a cost, agreed to prior to the time requisite applications for certificates of public convenience and necessity are filed with the Public Service Commission of West Virginia, as a connection fee (a) to connect the SELLER'S system with that of the PURCHASER, (b) to purchase and install SELLER'S facilities to increase its treated water supply, to transport, sell, measure and deliver limited amounts of water to PURCHASER, not to exceed a future growth of up to 1,500,000 gallons

per month, (c) to test water lines, wells and facilities of both PURCHASER and SELLER, and (d) to cover SELLER'S reasonable legal, engineering, and administrative costs necessary for SELLER to be authorized and able to complete its portion of the project and sell water to PURCHASER.

3. (Additions to SELLER'S Facilities) PURCHASER agrees to perform at PURCHASER'S expense all work on SELLER'S water supply and wholesale distribution system required to augment SELLER'S treated water supply and provide capacity and delivery capabilities to SELLER to render wholesale water service to PURCHASER for resale to the estimated number of retail water users in the proposed service area of the PURCHASER, Preston County Public Service District No. 4; provided, however, that PURCHASER shall drill the well specified in paragraph (a) below in a manner that will seal off poor quality aquifers closer to the surface, so as to provide good quality water approved by SELLER, and PURCHASER shall have the obligation to drill until an acceptable well is provided to SELLER; provided further, that the SELLER and PURCHASER shall each pay one-half of the cost of SELLER'S new building specified in paragraph (e) below; and all said work specified in paragraph (a) to (e) inclusive, shall conform to plans, specifications, and reasonable costs which are reviewed and found acceptable by SELLER'S consulting engineer, and which plans and specifications are incorporated herein as Attachment A; and said work shall be subject to approval and acceptance by SELLER and its consulting engineer. The attached plans and specifications cover the following items to be owned by the SELLER:

(a) a new well with a capacity of 60 gallon per minute to provide not less than 86,400 gallons per day;

(b) three new pumps and appurtenant motors and electrical control at the proposed well and the two existing water wells;

(c) new water treatment facilities, if any is required, and master meter to measure quantities of water sold to PURCHASER by SELLER;

(d) additional facilities on SELLER'S system which may be required

by governmental regulatory authorities, as a prerequisite to approval of the project;

(e) a new building designed by PURCHASER'S consulting engineer, subject to modification and approval by SELLER and its consulting engineer.

4. (Reduction of purchase from SELLER) That PURCHASER may not unilaterally displace purchases of water from SELLER by purchases from another supplier or from PURCHASER'S own water wells without first obtaining the prior written consent of SELLER and all necessary governmental approvals therefor.

C. It is further mutually agreed between the SELLER and PURCHASER as follows:

1. (Term of Contract) That this contract shall extend for a term of forty (40) years from the date of the initial delivery of any water as shown by the first bill submitted by the SELLER to the PURCHASER and, thereafter may be renewed or extended for such term or terms as may be agreed upon by the SELLER and PURCHASER.

2. (Delivery of Water) That thirty (30) days prior to the estimated date of completion of construction of the PURCHASER'S water supply distribution system, the PURCHASER will notify the SELLER in writing the date for the initial delivery of water, and thereafter SELLER shall initiate delivery of up to 1,500,000 gallons per month, it being understood and agreed, however, that if requestd by PURCHASER, SELLER, in its sole discretion, may sell and deliver in excess of 1,500,000 gallons per month, but SELLER shall no have no legal duty to deliver in excess of said maximum contract quantity of 1,500,000 gallons per month.

3. (Water for Testing) When requested by the PURCHASER, the SELLER will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the PURCHASER during construction, irrespective of whether the metering equipment has been installed at that time, at the

rates established which will be paid by the contractor or, on his failure to pay, by the PURCHASER.

4. (Failure to Deliver) That the SELLER, will at all times operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the PURCHASER with quantities of water required by the PURCHASER, within the maximum limits agreed to herein. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the SELLER is otherwise diminished over an extended prior of time the supply of water to PURCHASER'S consumers shall be reduced or diminished in the same ratio or proportion as the supply to SELLER'S consumers is reduced or diminished. The SELLER shall not be liable for any failure, interruptions or shortage of water or for loss or damage resulting therefrom, which is due to a cause beyond SELLER'S control, or exercise of reasonable diligence and care. The parties agree that this is not a requirements contract which would oblige SELLER to provide PURCHASER with an unlimited amount of water required for future growth, and, subject to future modifications by mutual agreement, SELLER agrees to sell and deliver an average of 50,000 gallons per day for a maximum future sales obligation of 1,500,000 gallons per month, based upon PURCHASER'S estimated initial requirements of less than 1,000,000 gallons per month.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the PURCHASER for water delivered are subject to modification upon approval by the Public Service Commission of West Virginia. Any increase or decrease in the rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder but such costs shall not include increased capitalization of SELLER'S system, unless such capitalization is for the improvement of the water quality or quantity benefiting the users of both the SELLER and PURCHASER or such capitalization inures to the benefit of the users of both SELLER and PURCHASER.

Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the SELLER and PURCHASER will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of water supply distribution system by the PURCHASER is being financed by a loan made or insured by, and or a grant from, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the PURCHASER are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the PURCHASER incapable of performing under this contract, any successor of the PURCHASER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the PURCHASER hereunder.

9. (Termination of Contract) That the SELLER and PURCHASER may not mutually agree to terminate this contract without all necessary governmental approvals thereof being first obtained in writing.

10. It is understood and agreed that PURCHASER will provide for its peak hourly and its peak daily amounts which are in excess of its average daily contract entitlements of water to be purchased from SELLER from PURCHASER'S own two 100,000 gallons water tanks installed on PURCHASER'S system.

11. The rules and regulations of the Public Service Commission for the governing of water properties now, or as hereafter promulgated by the Public Service Commission of West Virginia, shall be binding upon the parties hereto as if the same were set out in this contract Agreement in haec verba.

12. SELLER and PURCHASER agree that PURCHASER shall not have the right to sell water to a customer occupying or using premises that are now served by SELLER and situate outside the municipal boundaries of SELLER, but that SELLER hereby gives its consent, under Code of West Virginia, §16-13A-8, for PURCHASER to construct, establish, or extend its water facilities in the area within which it is or will be authorized to serve, limited to exclude water customers served by SELLER in adjacent unincorporated territory served by SELLER or future potential water customers of SELLER within or no more than 100 feet from SELLER'S distribution facilities located in said overlapping service area of SELLER and PURCHASER, or to the extent hereof approved by the Public Service Commission of West Virginia. To avoid any possible future uncertainty or friction between the parties, the PURCHASER shall not resell for use any water to a customer in this overlap area without the prior consent in writing of the SELLER.

13. Unless first approved by Farmers Home Administration, neither this Agreement, nor any interest therein, nor any claim arising hereunder, shall be transferred or assigned by the PURCHASER. Subject to the foregoing, this Agreement shall be binding upon the SELLER and PURCHASER and their respective successors or assigns.

14. In the event of any occurrence rendering the PURCHASER incapable of performing under this contract, any successor of the PURCHASER, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the PURCHASER hereunder.

IN WITNESS WHEREOF, the parties hereto, or their respective governing bodies, have caused this contract to be duly executed in five (5) counterparts, each of which shall constitute an original.

ATTEST:

Wanda Rye
Secretary

SELLER:

TOWN OF BRUCETON

BY: Joe Z. Chucosta
Mayor

PURCHASER

PRESTON COUNTY PUBLIC SERVICE -
DISTRICT NO. 4

BY: Paul C. Riston
Chairman

ATTEST:

Robert A. Bueby
Secretary

This contract is approved on behalf of the Farmers Home Adminis-
tration this 2nd day of JUNE, 1987.

BY: David E. Patterson
TITLE: ENGINEER

TOWN OF BRUCETON, a municipal corporation
(Name of Utility)

OF

Bruceton Mills, West Virginia
(Location of Office)

Rates, Rules and Regulations for Furnishing WATER

AT

and by special contract to Preston
Bruceton, and its immediate environs, Preston County, West Virginia. Public
Service
District
No.

Filed with THE PUBLIC SERVICE COMMISSION
OF
WEST VIRGINIA

Issued September 4, 1986

Effective October 6, 1986

Passed by Town Council.

Issued by TOWN OF BRUCETON
(Name of Utility)

By *J. W. Chubb*

Mayor

Schedule No. 1

AVAILABILITY OF SERVICE:

Available for general domestic, commercial, and industrial service.

RATES:

First 3,000 gal. used per month - \$3.34 per 1,000 gal. - \$10.00
Next 7,000 gal. used per month - \$2.72 per 1,000 gal. - \$19.04
Next 10,000 gal. used per month - \$2.21 per 1,000 gal. - \$22.10
Next 20,000 gal. used per month - \$1.70 per 1,000 gal. - \$34.00
All over 40,000 gals. used per month - \$0.88 per 1,000 gal.

MINIMUM CHARGES: No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8-inch meter, or less	\$ 10.02	per month
3/4-inch meter	\$ 15.03	per month
1 -inch meter	\$ 25.05	per month
1-1/2-inch meter	\$ 50.10	per month
2 -inch meter	\$ 80.16	per month
3 -inch meter	\$ 150.30	per month
4 -inch meter	\$ 250.50	per month
6 -inch meter	\$ 501.00	per month

DELAYED PAYMENT PENALTY:

The above tariff is net. On all accounts not paid in full within ten (10) days after the date of the bill is rendered, ten percent (10%) will be added to the total amount of the water bill shown. After sixty (60) days of delinquency, the service may be discontinued.

RECONNECTION CHARGE:

A reconnection charge of Twenty and 00/100 (\$20.00) Dollars shall be made.

CONNECTION CHARGES:

A charge of Two Hundred Fifty and 00/100 (\$250.00) Dollars will be made for every new subscriber requiring a new connection where the meter is one inch or less in size.

Where new connections involve meters larger than one inch, the new connection charge will be Three Hundred Fifty and 00/100 (\$350.00) Dollars or actual cost, whichever is greater.

AVAILABILITY OF SERVICE:

Available for special contract service to Preston County Public Service District No. 4 for resale to customers in purchasers' authorized area which are not already served by Town of Bruceton.

RATES:

First 3,000 gal. used per month - \$3.34 per 1,000 gal. - \$10.00
Next 7,000 gal. used per month - \$2.72 per 1,000 gal. - \$19.04
Next 10,000 gal. used per month - \$2.21 per 1,000 gal. - \$22.10
Next 20,000 gal. used per month - \$1.70 per 1,000 gal. - \$34.00
All over 40,000 gal. used per month - \$.88 per 1,000 gal.

MINIMUM CHARGES: No bill will be rendered for less than \$250.50.

DELAYED PAYMENT PENALTY:

The above tariff is net. On all accounts not paid in full within ten (10) days after the date of the bill is rendered, ten percent (10%) will be added to the total amount of the water bill shown. After sixty (60) days of delinquency, the service may be discontinued, without responsibility or liability to any person and without notice to anyone of the Town of Bruceton's intention to discontinue service.

RECONNECTION CHARGE:

A reconnection charge of Twenty and 00/100 (\$20.00) Dollars shall be made.

AMENDMENT OF WATER PURCHASE CONTRACT

WHEREAS, the Town of Bruceton, a municipal corporation, hereinafter referred to as "SELLER" and the Preston County Public Service District No. 4, hereinafter referred to as "PURCHASER" entered into a WATER PURCHASE CONTRACT on February 3, 1987, by which SELLER provides water to PURCHASER; and

WHEREAS, PURCHASER is expanding its water distribution system, in two stages identified as the initial expansion and the ultimate expansion, which expansion will require the purchase of more water from SELLER than the aforesaid contract provides and will require the expansion of the water delivery capabilities of SELLER; and,

NOW, THEREFORE WITNESSETH: That in consideration of the agreements and covenants contained herein, SELLER and PURCHASER agree to amend the aforesaid WATER PURCHASE CONTRACT as follows:

I. Section A. 1. (Quality and Quantity) of the aforesaid contract is amended to provide that SELLER will furnish to PURCHASER potable treated water meeting applicable purity standards of the West Virginia Health Department in such quantity as may be required by the PURCHASER not to exceed 2,500,000 gallons per month in the initial expansion and 5,000,000 in the ultimate expansion.

II. Section B. 3. (Additions to SELLER'S facilities) is expanded to provide that SELLER agrees to construct both the initial expansion improvements and ultimate expansion improvements as defined in an engineering report prepared by Burgess & Niple Engineers for SELLER dated November 27, 1996, a copy of which report is attached hereto and identified as Exhibit A. Said initial expansion improvements and ultimate expansion improvements as defined in the aforesaid Burgess and Niple report may be modified by the approval of both SELLER and PURCHASER. Said improvements shall be constructed in a timely manner when authorized by PURCHASER, as designed by PURCHASER and in accordance with the plans, specifications and contract documents as provided by PURCHASER; subject however to the review and approval of SELLER. PURCHASER agrees to pay for both the initial improvements and ultimate improvements and to authorize

their construction only when funds are available. Payment to SELLER shall include SELLERS reasonable legal, engineering, and administrative costs necessary for SELLER to be authorized and able to complete the improvements and sell the increased quantities of water to PURCHASER.

II. Section C. 1. (Term of Contract) is amended to provide that the term of the contract shall be extended to provide that SELLER shall sell water to PURCHASER for forty (40) years from the date of the first delivery into the expanded PURCHASER water system.

The aforesaid WATER PURCHASE CONTRACT shall remain in full force and effect modified only by this amendment.

IN WITNESS WHEREOF, the parties hereto, or their respective governing bodies, have caused this AMENDMENT OF WATER PURCHASE CONTRACT to be duly executed in five (5) counterparts, each of which shall constitute an original.

ATTEST:

Robert F. Murphy

SELLER:

TOWN OF BRUCETON

BY: Ray L. Evans
Mayor

ATTEST:

Carl Collins
Secretary

PURCHASER

PRESTON COUNTY PUBLIC
SERVICE DISTRICT NO. 4

BY: Robert A. Bailey
Chairman

This AMENDMENT OF WATER PURCHASE CONTRACT is approved on behalf of Rural Development (formerly Farmers Home Administration) this 1st day of MAY, 1997.

BY: David E. Satterfield
TITLE: ENGINEER