PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2007 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

Date of Closing: March 19, 2007

BOND TRANSCRIPT

VOLUME II

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PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2007 A
(West Virginia Infrastructure Fund)

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. Supplemental Resolution
3. Loan Agreement for Series 2007 A Bonds
4. Public Service Commission Order
5. Infrastructure and Jobs Development Council Approval
6. Cross-Receipt for Series 2007 A Bonds and Bond Proceeds
7. Direction to Authenticate and Deliver Series 2007 A Bonds
8. Specimen Series 2007 A Bond

OPINIONS OF COUNSEL

9. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel Regarding Series 2007 A Bonds
10. Opinion of Counsel to Issuer Regarding Series 2007 A Bonds
11. Opinion of Special PSC Counsel to Issuer Regarding Series 2007 A Bonds
12. Title Opinion

CERTIFICATES

13. General Certificate of Issuer and Attorney Regarding Series 2007 A Bonds

14. Certificate of Dunn Engineers, Inc., with Schedule B Attached

15. Certificate of Certified Public Accountant

16. Certificate as to Arbitrage for Series 2007 A Bonds

DOCUMENTS OF THE ISSUER

17. County Commission Orders Regarding Creation and Expansion of the District

18. County Commission Orders of Appointment and Oaths of Office of Current Boardmembers

19. Rules of Procedure

20. Affidavit of Publication of Notice of Filing

21. Minutes of Current Year Organizational Meeting

22. Affidavit of Publication of Notice of Public Hearing

23. Minutes on Adoption of Bond Resolution and Supplemental Resolution

24. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

25. Acceptance by Putnam County Bank of Appointment as Depository Bank

26. Acceptance of Duties as Registrar of Series 2007 A Bonds

27. Certificate of Registration of Series 2007 A Bonds

28. Registrar's Agreement on Series 2007 A Bonds

29. NPDES Permit

30. IRS Information Return for Series 2007 A Bonds

31. USDA Consent to Issuance of Parity Bonds

32. WDA Consent to Issuance of Parity Bonds

33. Closing Memorandum

34. Agreements with other utilities

35. Evidence of Insurance

36. Evidence of U.S. Army Corps of Engineers Grant

VOLUME II:

37. Prior Bond Resolutions

A) Series 2006 A (USDA - RUS)
Series 2006 B (USDA - RUS)

B) Series 2005 A (WV Infrastructure Fund - BAN)

C) Series 2002 A (USDA - RUS)
Series 2002 B (WV State Revolving Fund)

D) Series 1995 (USDA - RUS)

E) Series 1993 A (WV Water Development Authority)
(North Putnam PSD)

F) Series 1983 (USDA - RUS)

G) Series 1979 (USDA - RUS)

H) Series 1975 (USDA - RUS)
(North Putnam PSD)

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SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2006 A and Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture)

CONFORMED BOND RESOLUTION

Table of Contents

Subject		Page
	ARTICLE I STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	2
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	4
	ARTICLE II AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	
Section 2.01	Authorization of Acquisition and Construction of the Project	10
	ARTICLE III AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS	
Section 3.01	Authorization of Bonds	11
Section 3.02	Description of Bonds	11
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	11
Section 3.04	Bond Registrar	12
Section 3.05	Execution of Bonds	12
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	12
Section 3.07	Bonds Secured by Pledge of Net Revenues	13
Section 3.08	Form of Bond	13
	FORM OF BOND	14

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01	Establishment of Funds and Accounts with Depository Bank	28
Section 4.02	Bond Proceeds; Project Construction Account	28
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	29

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01	General Statement	34
Section 5.02	Rates	34
Section 5.03	Sale of the System	34
Section 5.04	Issuance of Additional Parity Bonds or Obligations	34
Section 5.05	Insurance and Bonds	35
Section 5.06	Statutory Mortgage Lien	37
Section 5.07	Events of Default	37
Section 5.08	Enforcement	37
Section 5.09	Fiscal Year; Budget	37
Section 5.10	Compensation of Members of Governing Body	38
Section 5.11	Covenant to Proceed and Complete	38
Section 5.12	Books and Records; Audits	38
Section 5.13	Maintenance of System	38
Section 5.14	No Competition	39

ARTICLE VI
RATES, ETC.

Section 6.01	Initial Schedule of Rates and Charges; Rules	40

ARTICLE VII
MISCELLANEOUS

Section 7.01	Payment of Bonds	41
Section 7.02	Modification or Amendment	41
Section 7.03	Delivery of Bonds	41
Section 7.04	Severability of Invalid Provisions	41
Section 7.05	Conflicting Provisions Repealed	41
Section 7.06	Table of Contents and Headings	41
Section 7.07	Covenant of Due Procedure, Etc.	42
Section 7.08	Effective Time	42
	SIGNATURES	43
	CERTIFICATION	44

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
CONFORMED RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY SOUTH PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $4,946,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN $2,104,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2006 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; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution 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. South Putnam Public Service District (the "Issuer") is a public corporation, public service district and political subdivision of the State of West Virginia in Putnam County of said State, duly created pursuant to the Act by The County Commission of Putnam County.

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

A. The Issuer currently owns and operates a public sewerage system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of additions, improvements and extensions to such existing sewerage facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

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 certain additions, improvements and extensions to the existing sewerage facilities of the Issuer, consisting of approximately 39,500 feet of various sizes of gravity sewer lines, approximately 28,000 feet of various sizes of force mains, one force main crossing of the Kanawha River near Nitro, appoximately 196 sewer manholes, twelve smaller sized "grinder" type sewage pumping stations, various connections with existing systems, and surface restoration items, together 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. The existing sewerage facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." 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. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Bonds (hereinafter defined) and all funds and accounts and other payments provided for herein.

D. The estimated maximum cost of the acquisition and construction of the Project is $7,050,000 of which $4,946,000 will be obtained from the proceeds of sale of the Series 2006 A Bonds, and $2,104,000 will be obtained from the proceeds of sale of the Series 2006 B Bonds, both herein authorized.

E. It is necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture), in the aggregate principal amount of $4,946,000 (the "Series 2006 A Bonds") and Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), in the aggregate principal amount of $2,104,000 (the "Series 2006 B Bonds," and collectively with the Series 2006 A Bonds, the "Series 2006 Bonds"), to finance the cost of such acquisition and construction in the manner hereinafter provided. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property

rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2006 Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents 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, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2006 Bonds as to liens, pledge and source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (ii) Sewer Revenue Bonds, Series 1983, dated August 1, 1983, issued in the original aggregate principal amount of $750,000 (the "Series 1983 Bonds"), (iii) Sewer Revenue Bonds, Series 1993, dated March 30, 1993, issued in the original aggregate principal amount of $267,000 (the "Series 1993 Bonds"), (iv) Sewer Revenue Bonds, Series 1995, dated May 2, 1995, issued in the original aggregate principal amount of $1,300,000 (the "Series 1995 Bonds"), (v) Sewer Revenue Bonds, Series 2002 A, dated March 7, 2002, issued in the original aggregate principal amount of $7,078,000 (the "Series 2002 A Bonds), and (vi) Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated March 7, 2002, issued in the original aggregated principal amount of $1,422,000 (the "Series 2002 B Bonds"). The Series 1979 Bonds, the Series 1983 Bonds, the Series 1993 Bonds, the Series 1995 Bonds, the Series 2002 A Bonds, and the Series 2002 B Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds." The Prior Bonds are payable from and secured by Net Revenues of the System.

The Issuer is not in default under the terms of the Prior Bonds, or the resolutions authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

H. It is in the best interest of the Issuer that the Series 2006 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, dated June 15, 2004, respectively, and all amendments thereto, if any (collectively, the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2006 Bonds, or will have so complied prior to issuance of the Series 2006 Bonds, including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2006 Bonds by those who shall be the Registered Owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2006 Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

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

"Bond Registrar" means the Issuer, which shall usually so act by its Secretary.

"Bonds" means, collectively, the Series 2006 Bonds and the Prior Bonds.

"Chairman" means the Chairman of the Governing Body.

"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 Engineer" means S & S Engineers, Inc., Charleston, 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.

"Costs" or "Costs of the Project" means those costs described in Section 1.02 (F) hereof.

"Depository Bank" means Putnam County Bank, Hurricane, Putnam County, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "sewerage 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.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" means the Public Service Board of the Issuer.

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

"Grants" means, collectively, all grants committed for the Project.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means South Putnam Public Service District, a public service district, a public corporation and a political subdivision of the State of West Virginia, in Putnam County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means, collectively, the Letters of Conditions of the Purchaser dated June 15, 2004, respectively, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2006 A Bonds or the Series 2006 B Bonds in the then current or any succeeding year.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the Project and 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 Project and 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 one-sixth 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 all funds and accounts have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means, collectively, the Series 1979 Bonds, the Series 1983 Bonds, the Series 1993 Bonds, the Series 1995 Bonds, the Series 2002 A Bonds, and the Series 2002 B Bonds.

"Prior Bonds Reserve Accounts" means, collectively, the respective reserve accounts created for the Prior Bonds, as more fully described and defined in the Prior Resolutions.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, respectively, adopted authorizing the issuance of the Prior Bonds.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(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 (hereinbefore 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 Board of Treasury

Investments pursuant to Chapter 12, Article 6(c) 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 or Standard & Poor's Corporation.

"Registered Owners," "Bondholders," "Holders of the Bonds" or any similar term means any person who shall be the registered owner of the Bonds.

"Resolutions" means, collectively, the Prior Resolutions and the Bond Legislation.

"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.

"RUS Bonds" means the (i) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000, (ii) Sewer Revenue Bonds, Series 1983, dated August 1, 1983, issued in the original aggregate principal amount of $750,000, (iii) Sewer Revenue Bonds, Series 1993, dated March 30, 1993, issued in the original aggregate principal amount of $267,000, and the (iv) Sewer Revenue Bonds, Series 1995, dated May 2, 1995, issued in the original aggregate principal amount of $1,300,000.

"Secretary" means the Secretary of the Governing Body.

"Series 2006 Bonds" means, collectively, the Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture) and Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2006 Bonds Reserve Account" means collectively, the Series 2006 A Bonds Reserve Account and the Series 2006 Bonds Reserve Account.

"System" means the complete public sewerage system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

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 neuter 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 REFUNDING 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 $7,050,000, 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 2006 Bonds hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2006 Bonds of the Issuer, to be known as "Sewer Revenue Bonds, Series 2006 A (United States Department of Agriculture)" and "Sewer Revenue Bonds, Series 2006 B (United States Department of Agriculture)", are hereby authorized to be issued in the aggregate principal amounts $4,946,000 and $2,104,000, respectively, for the purpose of financing the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bonds. The Series 2006 A Bonds shall be issued in single form, numbered AR-1 and the Series 2006 B Bonds shall be issued in single form, numbered BR-1, each only as fully registered Bonds, and shall be dated the date of delivery thereof. The Series 2006 Bonds shall bear interest from the date of delivery, each payable monthly at the rate of 4.375% per annum, and shall be sold for the par value thereof.

The Series 2006 Bonds 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 respective Bond forms hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds The Series 2006 Bonds 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 Series 2006 Bonds, and the right to principal of and stated interest on the Series 2006 Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2006 Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2006 Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond 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 Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2006 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2006 Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2006 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2006 Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2006 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2006 Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2006 Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2006 Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2006 Bonds 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. In case any one or more of the officers who shall have signed or sealed the Series 2006 Bonds shall cease to be such officer of the Issuer before the Series 2006 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2006 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2006 Bonds 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 Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2006 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2006 Bonds 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 3.07. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 2006 Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System, on a parity with the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Series 2006 Bonds and the Prior Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2006 Bonds and the Prior Bonds as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2006 Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2006 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. AR-1 Date: _____

FOR VALUE RECEIVED, SOUTH PUTNAM PUBLIC SERVICE DISTRICT (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 _____ ($_____), 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 additions, extensions and improvements to the sewerage 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 Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolutions and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized

denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2006, 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 Farm and Rural Development Act of 1965, as amended. 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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE BORROWER:

(1) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS");

(2) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000 (THE "SERIES 1983 BONDS");

(3) SEWER REVENUE BONDS, SERIES 1993, DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS");

(4) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000 (THE "SERIES 1995 BONDS");

(5) SEWER REVENUE BONDS, SERIES 2002 A, DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $7,078,000 (THE "SERIES 2002 A BONDS);

(6) SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATED PRINCIPAL AMOUNT OF $1,422,000 (THE "SERIES 2002 B BONDS"); AND

(7) SEWER REVENUE BONDS, SERIES 2006 B, DATED _____, 2006 (THE "SERIES 2006 B BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

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IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____
Chairman, Public Service Board

ATTEST:

_____
Secretary, Public Service Board

(Form of)

RECORD OF ADVANCES

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

TOTAL $

(Form of Assignment)

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 BOND)

UNITED STATES OF AMERICA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, SERIES 2006 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. BR-1 Date: _____

FOR VALUE RECEIVED, SOUTH PUTNAM PUBLIC SERVICE DISTRICT (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 _____ ($_____), 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 herein below. 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 additions, extensions and improvements to the sewerage 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 Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Resolutions and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized

denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted _____, 2006, 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 Farm and Rural Development Act of 1965, as amended. 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, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE FOLLOWING SEWER REVENUE BONDS OF THE BORROWER:

(1) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS");

(2) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000 (THE "SERIES 1983 BONDS");

(3) SEWER REVENUE BONDS, SERIES 1993, DATED MARCH 30, 1993, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $267,000 (THE "SERIES 1993 BONDS");

(4) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000 (THE "SERIES 1995 BONDS");

(5) SEWER REVENUE BONDS, SERIES 2002 A, DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $7,078,000 (THE "SERIES 2002 A BONDS);

(6) SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATED PRINCIPAL AMOUNT OF $1,422,000 (THE "SERIES 2002 B BONDS"); AND

(7) SEWER REVENUE BONDS, SERIES 2006 A, DATED _____, 2006 (THE "SERIES 2006 A BONDS"), ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____.

In accordance with the requirements of the United States Department of Agriculture, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

[CORPORATE SEAL]

_____
Chairman, Public Service Board

ATTEST:

_____
Secretary, Public Service Board

(Form of)

RECORD OF ADVANCES

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

TOTAL $

(Form of Assignment)

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:

_____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. A. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (established by the Prior Resolutions);

(3) Series 2006 A Bonds Project Construction Account; and

(4) Series 2006 B Bonds Project Construction Account.

B. Establishment of Funds and Accounts with Commission. The following special funds or accounts are created with (or continued if previously established by the Prior Resolutions) and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and from each other:

(1) Series 2006 A Bonds Reserve Account; and

(2) Series 2006 B Bonds Reserve Account.

Section 4.02. Bond Proceeds; Project Construction Accounts. The proceeds of the sale of the Series 2006 A Bonds shall be deposited upon receipt by the Issuer in the Series 2006 A Bonds Project Construction Account. The proceeds of the sale of the Series 2006 B Bonds shall be deposited upon receipt by the Issuer in the Series 2006 B Bonds Project Construction Account. The monies in the Series 2006 A Bonds Project Construction Account and Series 2006 B Bonds Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Series 2006 A Bonds Project Construction Account and Series 2006 B Bonds Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Series 2006 A Bonds Project Construction Account and Series 2006 B Bonds Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Series 2006 Bonds Project Construction Account and Series 2006 B Bonds 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 Series 2006 Bonds, respectively, if there are not sufficient Net Revenues to make such monthly payment.

Pending application as provided in this Section 4.02, money and funds in the Series 2006 A Bonds Project Construction Account and Series 2006 B Bonds Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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 2006 A Bonds Project Construction Account or Series 2006 B Bonds Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2006 A Bonds or Series 2006 B Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2006 A Bonds Reserve Account or Series 2006 B Bonds Reserve Account, respectively, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Series 2006 A Bonds or Series 2006 B Bonds, as applicable, remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2006 Bonds 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 the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

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 the Prior Resolutions not otherwise modified herein:

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

(2) The Issuer shall next, each month, transfer from the Revenue Fund and simultaneously remit to (i) the Commission or the National Finance Office, as applicable, the amounts required by the Prior Resolutions to first pay interest and then pay principal on the Prior Bonds; and (ii) the National Finance Office, the amounts required to pay the interest on the Series 2006 Bonds and to amortize the principal of the Series 2006 Bonds over the life of each respective Bond issue. All payments with respect to principal of and interest on the Series 2006 Bonds and the Prior Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit (i) to the Commission or the Depository Bank, as applicable, the amounts required by the Prior Resolutions to be deposited in the Prior Bonds Reserve Accounts; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2006 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2006 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2006 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve; and (iii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2006 B Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2006 B Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2006 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the respective Series 2006 Bonds Reserve Accounts shall be used solely to make up any deficiency for the respective monthly payments of the principal of and interest on the Series 2006 Bonds to the National Finance

Office as the same shall become due or for prepayment of installments on the respective Series 2006 Bonds, or for mandatory prepayment of the respective Series 2006 Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in each Series 2006 Bonds Reserve Account, so long as the respective Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund (as previously set forth in the Prior Resolutions) to the Renewal and Replacement Fund, the amounts required by the Prior Resolutions; provided, that, as long as the RUS Bonds remain outstanding, the Issuer must accumulate in the Renewal and Replacement Fund the aggregate sum of $200,000 and maintain such sum therein and shall use the monies therein as provided by the Prior Resolutions, except that any deficiencies in the debt service payments on the Series 2006 A Bonds shall be payable from the Renewal and Replacement Fund on a parity with the Prior Bonds. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the respective Prior Bonds Resolutions. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Accounts (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(5) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2006 A Bonds Reserve Account shall be sufficient to prepay the Series 2006 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding,

to prepay the Series 2006 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

Whenever the money in the Series 2006 B Bonds Reserve Account shall be sufficient to prepay the Series 2006 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2006 B Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2006 A Bonds Reserve Account and Series 2006 B Bonds Reserve Account. All amounts required for the respective Series 2006 Bonds Reserve Accounts 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.

The Revenue Fund shall constitute a Trust Fund 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 for further securing payment of the Series 2006 Bonds and the interest thereon, on a parity with the Prior Bonds.

The Series 2006 A Bonds Reserve Account and the Series 2006 B Bonds Reserve Account 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 for further securing payment of the Series 2006 A Bonds, Series 2006 B Bonds and the interest thereon, on a parity with the Prior Bonds.

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.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2006 Bonds and the Prior Bonds, in accordance with the respective principal amounts then Outstanding.

Subject to the Prior Resolutions, the Commission shall keep the monies in the respective Series 2006 A Bonds Reserve Account and Series 2006 B Bonds Reserve Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. 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 Board of Treasury Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the respective Series 2006 Bonds Reserve Accounts, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually by the Commission to the Issuer and deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2006 Bonds, provide evidence that there will be at least 7923 bona fide users upon the System on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank and the Commission such additional sums as shall be necessary to pay the charges and fees of the Depository Bank or the Commission then due.

F. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such 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 of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2006 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the respective Series 2006 Bonds Reserve Accounts, sums sufficient to prepay the entire principal of the respective Series 2006 Bonds 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 Holder of the Series 2006 Bonds.

Section 5.02. Rates. So long as the Prior Bonds are outstanding, the Issuer will maintain rates as required in the Prior Resolutions. 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 Series 2006 Bonds and the Prior Bonds and sufficient to make the payments required herein into all funds and accounts 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 5.03. Sale of the System . So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System or any part thereof, except as provided in the Prior Resolutions. The System will not be sold without the prior written consent of the Purchaser so long as the Series 2006 Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser and the Holders of the Prior Bonds.

So long as the Series 2006 Bonds and the Prior Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Purchaser.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Resolutions with respect to the Series 2006 Bonds and Prior 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 and the Prior Resolutions.

Section 5.05. 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 Series 2006 Bonds remain 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 and mechanical and electrical equipment in place or stored on the site 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 Series 2006 Bonds.

(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) Workers' 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 have been or 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. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) 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 such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2006 Bonds are 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 5.06. Statutory Mortgage Lien. For the further protection of the Holder of the Series 2006 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, on a parity with the Prior Bonds, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon the delivery of the Series 2006 Bonds.

Section 5.07. 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 Series 2006 Bonds at the date specified for payment thereof;

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2006 Bonds or herein, or violation of or failure to observe any provision of any pertinent law; and

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

Section 5.08. 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; provided that, all rights and remedies of the Holders of the Prior Bonds shall be on a parity with the Series 2006 Bonds.

Section 5.09. Fiscal Year; Budget. While the Series 2006 Bonds are 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 1st 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 10%; 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 5.10. 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 5.11. 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 on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. 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 5.13. 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 Series 2006 Bonds are outstanding.

Section 5.14. No Competition. To the extent legally allowable, 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.

ARTICLE VI

RATES, ETC.

Section 6.01. 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 Order of the Public Service Commission of West Virginia, entered on December 4, 2005, Case No. 05-1146-PSD-CN, which Final Order is 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 all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, 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 VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2006 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 2006 Bonds, the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2006 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2006 Bonds, the Issuer may not defease the Series 2006 Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Series 2006 Bonds, 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 7.04. 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 Series 2006 Bonds.

Section 7.05. Conflicting Provisions Repealed The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

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 7.06. Table of Contents and HeadingsThe 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 7.07. Covenant of Due Procedure, Etc The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Time . This Resolution shall take effect immediately upon its adoption.

Adopted this 25th day of April, 2006.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 25th day of April, 2006.

Dated: May 12, 2006.

[SEAL]

Secretary

4.19.06
847280.00005

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2006 A and
Sewer Revenue Bonds, Series 2006 B
(United States Department of Agriculture)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION APPROVING THE CONFORMED BOND RESOLUTION; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of South Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution, effective April 25, 2006 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY SOUTH PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $4,946,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2006 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN $2,104,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2006 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; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution has been revised pursuant to comments received after its adoption and the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Conformed Bond Resolution be approved and entered into by the Issuer;

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

Section 1. The Issuer hereby approves the Conformed Bond Resolution attached hereto as Exhibit A.

Section 2. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 10th day of May, 2006.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of South Putnam Public Service District on May 10, 2006, which Resolution has not been repealed, rescinded, modified, amended or revoked, as of the date hereof.

Dated this 12th day of May, 2006.

Secretary

05/09/06
847280.00005

EXHIBIT A

CONFORMED BOND RESOLUTION

(See Tab No. 1)

ON FILE WITH ISSUER

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND)

NOTE RESOLUTION

Table of Contents

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01	Authority for this Resolution
Section 1.02	Findings
Section 1.03	Resolution Constitutes Contract
Section 1.04	Definitions

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01	Authorization of Acquisition and Construction of the Project

ARTICLE III

[RESERVED]

ARTICLE IV
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF NOTES; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 4.01	Authorization of Notes	15
Section 4.02	Terms of Notes	15
Section 4.03	Execution of Notes	15
Section 4.04	Authentication and Registration	16
Section 4.05	Negotiability, Transfer and Registration	16
Section 4.06	Notes Mutilated, Destroyed, Stolen or Lost	17
Section 4.07	Notes not to be Indebtedness of the Issuer	17
Section 4.08	Security for the Notes	17
Section 4.09	Delivery of Notes	17
Section 4.10	Form of Notes	18
	FORM OF NOTE	19
Section 4.11	Sale of Notes; Authorization of Loan Agreement	26
Section 4.12	Prohibition of Other Loans	26
Section 4.13	Covenants with Holders of Notes	26
Section 4.14	Required Notices to Holders of Notes	26

ARTICLE V
FUNDS AND ACCOUNTS

Section 5.01	Establishment of Funds and Accounts with Depository Bank	30
Section 5.02	Establishment of Funds and Accounts with Commission	30

ARTICLE VI
APPLICATION NOTE PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01	Application of Note Proceeds	31
Section 6.02	Construction Disbursements	31

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	32
Section 7.02	Notes not to be Indebtedness of the Issuer	32
Section 7.03	[RESERVED]	32
Section 7.04	[RESERVED]	32
Section 7.05	Sale of the System	32
Section 7.06	[RESERVED]	33
Section 7.07	[RESERVED]	33
Section 7.08	Books; Records and Audit	33
Section 7.09	[RESERVED]	35
Section 7.10	Operating Budget and Monthly Financial Report	36
Section 7.11	Engineering Services and Operating Personnel	36
Section 7.12	No Competing Franchise	37
Section 7.13	Enforcement of Collections	37
Section 7.14	No Free Services	37
Section 7.15	Insurance and Construction Bonds	38
Section 7.16	Mandatory Connections	39
Section 7.17	Completion and Operation of Project; Permits and Orders	39
Section 7.18	[RESERVED]	40
Section 7.19	Statutory Mortgage Lien	40
Section 7.20	Compliance with Loan Agreement and Law	40
Section 7.21	Securities Laws Compliance	40
Section 7.22	Contracts; Public Releases	40

ARTICLE VIII
INVESTMENT OF FUNDS

Section 8.01	Investments	41
Section 8.02	Certificate as to Use of Proceeds	41

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	42
Section 9.02	Remedies	42
Section 9.03	Appointment of Receiver	42

ARTICLE X
PAYMENT OF NOTES

Section 10.01	Payment of Notes	44

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Resolution	45
Section 11.02	Resolution Constitutes Contract	45
Section 11.03	Severability of Invalid Provisions	45
Section 11.04	Headings, Etc.	45
Section 11.05	Conflicting Provisions Repealed	45
Section 11.06	Covenant of Due Procedure, Etc.	46
Section 11.07	Effective Date	46
	SIGNATURES	47
	CERTIFICATION	48

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health, safety, advantage, convenience and welfare of the inhabitants of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public sewerage system of the Issuer, consisting of rehabilitation, repair and replacement of portions of the sewer system, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes the Project, the existing public sewerage system of the Issuer and any further additions or improvements thereto or extensions thereof are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications 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 to make payments into all funds and accounts and other payments provided for herein.

D. The Issuer intends to temporarily finance a portion of the costs of acquisition and construction of the Project through the issuance of its notes to the West Virginia Water Development Authority (the "Authority"), in connection with the West Virginia Infrastructure Fund, pursuant to the Act.

E. It is deemed necessary for the Issuer to issue its Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than $2,000,000 (the "Notes"), to temporarily finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Notes prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Notes 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, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Notes or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

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

H. There are outstanding obligations of the Issuer which will rank senior and prior to the Notes as to liens, pledge, source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (ii) Sewer Revenue Bonds, Series 1983, dated August 1, 1983, issued in the original aggregate principal amount of $750,000 (the "Series 1983 Bonds"), (iii) Sewer Revenue Bonds, Series 1995, dated May 2, 1995, issued in the original aggregate principal amount of $1,300,000 (the "Series 1995 Bonds"), (iv) Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture), dated March 7, 2002, issued in the original aggregate principal amount of $7,078,000 (the "Series 2002 A Bonds") and (v) Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), dated March 7, 2002, issued in the original aggregate principal amount of $1,422,000. The Series 1979 Bonds, the Series 1983 Bonds, the Series 1995 Bonds, Series 2002 A Bonds and Series 2002 B Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds." Other than the Prior Bonds, there are no outstanding bonds or obligation of the Issuer which are secured by revenues or assets of the System.

The Notes shall be issued junior and subordinate to the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Notes shall not be payable from or secured by Net Revenues, but shall be payable only from and secured by a first lien on the proceeds of (i) any tax increment financing obligations issued by the County Commission of Putnam County; (ii) any additional sewerage system revenue bonds or refunding revenue bonds of the Issuer which may be issued for the System; (iii) any additional grants (other than grants from the West Virginia Infrastructure Fund) or other financial assistance to be received by the Issuer for the System; and (iv) any additional bond anticipation notes of the Issuer, issued subsequent to the issuance of the Notes, to finance the costs of acquisition and construction of the Project.

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

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

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

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Notes, or any other agency, board or department 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.

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

"Closing Date" means the date upon which there is an exchange of the Notes for all or a portion of the proceeds of the Notes from the Authority.

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

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

"Consulting Engineers" means Thrasher Engineering, Inc., Clarksburg, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

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

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

"Depreciation Reserve" means the Depreciation Reserve established by the Prior Resolutions.

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

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

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

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

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

"Grant Agreement" means a written commitment for the payment of any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all monies received by the Issuer on account of any Grant after the date of issuance of any grant anticipation notes.

"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 Resolution.

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Loan Agreement" means the Loan Agreement heretofore entered or to be entered into, by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Notes 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 and confirmed by the Supplemental Resolution.

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

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

"Noteholder," "Holder of the Notes" or any similar term means the person, whenever used herein with respect to an outstanding Note or Notes, in whose name such Note is registered.

"Notes" means the Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund created by Section 5.01 hereof.

"Notes Payment Fund" means the Notes Payment Fund created by Section 5.02 hereof.

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

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

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

"Prior Bonds" means the Bonds described in Section 1.02H hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer authorizing the Prior Bonds.

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

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

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

(a) Government Obligations;

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

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

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to

the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended, including, without limitation, authorized pools of investments operated by such State Board of Investments; and

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

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

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

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

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

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

"State" means the State of West Virginia.

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

"System" means the complete properties of the Issuer for the collection, treatment, purification or disposal of liquid or solid wastes, sewerage or industrial wastes, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, improvements and extensions thereto hereafter constructed or acquired for the System from any sources whatsoever.

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

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

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender; and any requirement for execution or attestation of the Notes or any certificate or other document by the Chairman or the Secretary shall mean that such Notes, 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 $2,168,831, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Notes hereby authorized shall be applied as provided in Article VI hereo. 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 Council.

The cost of the Project is estimated to be $2,168,831, of which approximately $2,000,000 will be obtained from the proceeds of the Notes, $60,000 will be obtained from the proceeds of a grant from the County Commission of Putnam County and $108,831 will be obtained from Issuer's funds.

ARTICLE III

[RESERVED]

ARTICLE IV

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

Section 4.01. Authorization of Notes. For the purposes of paying costs of the Project not otherwise provided for and paying certain costs of issuance of the Notes 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 Notes of the Issuer. The Notes shall be issued as a single note, designated as "Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund)," in an aggregate principal amount of not more than $2,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Notes shall be deposited in or credited to the Notes Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 4.02. Terms of Notes. The Notes shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Notes 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 Notes, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Note Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof. Unless otherwise provided by the Supplemental Resolution, the Notes shall be issued in the form of a single note, fully registered to the Authority, with a record of advances attached, representing the aggregate principal amount of the Notes.

Section 4.03. Execution of Notes. The Notes 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 Notes shall cease to be such officer of the Issuer before the Notes so signed and sealed have been actually sold and delivered, such Notes may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Notes had not ceased to hold such office. Any Notes may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Notes shall hold the proper office in the Issuer, although at the date of such Notes such person may not have held such office or may not have been so authorized.

Section 4.04. Authentication and Registration. No Notes shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Note, substantially in the form set forth in Section 4.10 shall have been manually executed by the Note Registrar. Any such executed Certificate of Authentication and Registration upon any such Note shall be conclusive evidence that such Note has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Note shall be deemed to have been executed by the Note Registrar if manually signed by an authorized officer of the Note Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Notes issued hereunder.

Section 4.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Notes 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 Notes shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Notes shall be incontestable in the hands of a bona fide holder for value.

So long as the Notes remain outstanding, the Issuer, through the Note Registrar as its agent, shall keep and maintain books for the registration and transfer of the Notes.

The Notes shall be transferable only upon the books of the Note 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 Note Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging or transferring the Notes are exercised, Notes shall be delivered in accordance with the provisions of this Resolution. All Notes surrendered in any such exchanges or transfers shall forthwith be cancelled by the Note Registrar. For every such exchange or transfer of Notes, the Note 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 Note upon each exchange or transfer, and any other expenses of the Note Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Note Registrar shall not be obliged to make any such exchange or transfer of Notes during the period commencing on the 15th day of the month next preceding an interest payment date on the Notes or, in the case of any proposed redemption of Notes, next preceding the date of the selection of Notes to be redeemed, and ending on such interest payment date or redemption date.

Section 4.06. Notes Mutilated, Destroyed, Stolen or Lost. In case any Note shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Note Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Note of the same series and of like tenor as the Notes so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note, or in lieu of and substitution for the Note 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 Note Registrar may incur. All Notes so surrendered shall be cancelled by the Note Registrar and held for the account of the Issuer. If any such Note shall have matured or be about to mature, instead of issuing a substitute Note, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender thereof.

Section 4.07. Notes not to be Indebtedness of the Issuer. The Notes 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 sources as herein provided. No holder or holders of the Notes shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Notes or the interest, if any, thereon.

Section 4.08. Security for the Notes. The Notes shall be payable only from and secured by a first lien on the proceeds from (i) any tax increment financing obligations issued by the County Commission of Putnam County; (ii) any additional sewerage system revenue bonds or refunding revenue bonds of the Issuer which may be issued for the System; (iii) any additional grants (other than grants from the West Virginia Infrastructure Fund) or other financial assistance to be received by the Issuer for the System; and (iv) any additional bond anticipation notes of the Issuer, issued subsequent to the issuance of the Notes, to finance the costs of acquisition and construction of the Project.

Section 4.09. Delivery of Notes. The Issuer shall execute and deliver the Notes to the Note Registrar, and the Note Registrar shall authenticate, register and deliver the Notes to the original purchasers upon receipt of the documents set forth below:

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

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

C. An executed and certified copy of the Resolution;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Notes.

Section 4.10. Form of Notes. The text of the Notes 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:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM BOND ANTICIPATION NOTE, SERIES 2005 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1 $2,000,000

KNOW ALL MEN BY THESE PRESENTS: That on this 8th day of September, 2005, SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public service district, public corporation and political subdivision of the State of West Virginia in Putnam County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the sources and in the manner provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of TWO MILLION DOLLARS ($2,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in annual installments of One Hundred Dollars ($100) on June 1, 2006 and June 1, 2007, and with the entire outstanding principal amount payable in full on September 1,2007, all as set forth on the Debt Service Schedule attached as EXHIBIT B hereto and incorporated herein by reference.

This Note shall bear interest at the rate set forth said EXHIBIT B and shall be payable at the maturity of this Note. The interest on and principal of this Note are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Note may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated September 8, 2005 (the "Loan Agreement").

This Note is issued (i) to temporarily finance a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewerage system of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Notes of this Series (the "Notes") and related costs. The existing public sewerage system of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System". This Note is issued under the authority of and in full compliance with the

Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on September 7, 2005, and a Supplemental Resolution duly adopted by the Issuer on September 7, 2005 (collectively, the "Notes Legislation"), and is subject to all the terms and conditions thereof.

THIS NOTE IS ISSUED JUNIOR AND SUBORDINATE, WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING OUTSTANDING SEWER REVENUE BONDS OF THE ISSUER:

(I) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000;

(II) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000;

(III) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000;

(IV) SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $7,078,000; AND

(V) SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2002, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,422,000.

This Note is payable only from and secured by a first lien on the proceeds from (i) any tax increment financing obligations issued by the County Commission of Putnam County; (ii) any additional sewerage system revenue bonds or refunding revenue bonds of the Issuer which may be issued for the System; (iii) any additional grants (other than grants from the West Virginia Infrastructure Fund) or other financial assistance to be received by the Issuer for the System; and (iv) any additional bond anticipation notes of the Issuer, issued subsequent to the issuance of the Notes, to finance the costs of acquisition and construction of the Project. The monies from these sources shall be deposited into the Notes Payment

Fund established under the Notes Legislation for the prompt payment of the interest on and principal of this Note.

This Note does not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the sources set forth above. Under the Notes Legislation, the Issuer has entered into certain covenants with the Authority, for the terms of which reference is made to the Notes Legislation. Remedies provided the Authority are exclusively as provided in the Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth herein, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Notes Legislation, only by transfer of registration upon the books of the Registrar, to be made at the request of the registered owner hereof in person or by his attorney duly authorized in writing, and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney.

All monies received from the sale of this Note shall be applied solely to the payment of the costs of the Project and the costs of issuance and related costs described in the Notes Legislation, and there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by law, and that the Notes, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

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

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated the day and year first written above.

[SEAL]

_____
Chairman

Attest:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Note is one of the Notes described in and issued under the provisions of the within-mentioned Notes Legislation and has been duly registered in the name of the registered owned set forth above.

Date: September 8, 2005.

THE HUNTINGTON NATIONAL BANK
as Registrar

By:_____
Its: Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$184,477	9/8/05	(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)

EXHIBIT B

DEBT SERVICE SCHEDULE

Principal: $2,000,000

Interest: 3% of Principal ($60,000)

Payment Date	Principal Due	Interest Due	Total
June 1, 2006	$100	0	$100
June 1, 2007	$100	0	$100
September 1, 2007	$1,999,800	$60,000	$2,059,800

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within-mentioned Note and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Note on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____

_____

IN THE PRESENCE OF:

_____

Section 4.11. Sale of Notes; Authorization of Loan Agreement. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated into this Resolution. The Notes shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority.

Section 4.12. Prohibition of Other Loans . So long as the Notes are outstanding, no bonds, notes or other evidences of indebtedness shall be issued by the Issuer without the prior written consent of the Authority and the Council; provided however, that the Issuer may issue its refunding notes or bonds to pay in full the entire outstanding principal of and interest, if any, accrued on the Notes, so long as the Issuer shall request approval from the Authority and the Council, in writing, of the issuance of any such proposed refunding notes or bonds at least 60 days prior to the intended date of such issuance.

Section 4.13. Covenants with Holders of Notes. In order to further secure the payment of the Notes, the Issuer hereby covenants and agrees with the Holders of the Notes as follows:

(A) The Issuer shall promptly seek permanent financing for the acquisition and construction of the Project and will do all things necessary to effectuate such financing and apply the proceeds from such financing to pay the entire outstanding principal of and all interest accrued on the Notes in full as soon as such financing is available.

(B) The Issuer shall not make or cause or permit to be made any application of the proceeds of the Notes except as provided herein, or of any monies held in the Notes Payment Fund except as provided herein.

(C) The Issuer shall comply in all respects with the terms and provisions of any grant agreements applicable to the System and with all applicable State and federal laws and regulations governing the implementation of such grant agreements.

(D) The Issuer shall comply with all the terms and conditions of the Loan Agreement.

Section 4.14. Required Notices to Holders of Notes. The Issuer shall provide the Authority and the Council, prompt written notice, appropriately documented, of any of the following events:

(A) If the County Commission of Putnam County is unable or unwilling to issue tax increment financing obligations to pay the Notes in full;

(B) If the Issuer is unable or unsuccessful in obtaining permanent financing to pay the Notes in full;

(C) Any suspension, termination or modification of any grant;

(D) The authorization by the Issuer of any additional indebtedness related to the System; and

(E) Any activity that would stop the work schedule of the Project.

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.01. Establishment of Funds and Accounts with Depository Bank The following special fund is hereby created 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:

(1) Notes Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with CommissionThe following special fund is hereby created with and shall be held by the Commission separate and apart from all other funds or accounts of the Commission and the Issuer:

(1) Notes Payment Fund.

Upon receipt of proceeds of any tax increment financing obligations of the County Commission of Putnam County, any grants (other than grants from the West Virginia Infrastructure Fund) for the System, any revenue bonds, refunding bonds, bond anticipation notes or other obligations which the Issuer may issue, an amount of the proceeds of such tax increment financing obligations, grants, revenue bonds, refunding bonds, bond anticipation notes or other obligations sufficient to pay all or a portion of the entire outstanding principal of and interest, if any, on the Notes shall be deposited in the Notes Payment Fund. All monies so deposited in the Notes Payment Fund shall be paid by the Commission to the Authority on the maturity date of the Notes, if such monies have been so deposited prior to the maturity date of the Notes, or on an earlier date if so requested by the Authority on behalf of the Council and if so directed by the Issuer, in full or partial payment of the outstanding principal of the Notes. All monies deposited in the Notes Payment Fund shall be held in trust for the Authority on behalf of the Council, and the Issuer shall have no rights with respect thereto except to receive the balance therein after payment of the Notes in full and the charges, if any, of the Paying Agent.

Any monies remaining in the Notes Payment Fund, after the payment of the Notes in full and all charges of the Paying Agent, shall be used as directed in writing by the Authority and the Council.

ARTICLE VI

APPLICATION OF NOTE PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Note Proceeds. From the monies received from the sale of the Notes, the following amounts shall be first deducted and deposited in the order set forth below:

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

B. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Notes shall be applied as directed by the Council.

Section 6.02. Construction Disbursements. With respect to the proceeds of the Notes, the Issuer shall each month provide the Council and the Authority with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all costs of the Project shall be made monthly.

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

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

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

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

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

Pending such application, monies in the Note Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. Until the payment in full of the principal of and interest, if any, on the Notes when due, and to the extent they do not conflict with the Prior Resolutions, the covenants, agreements and provisions contained in this Resolution shall, where applicable, also inure to the benefit of the Holders of the Notes and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by any Holder or Holders of the Notes.

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

Section 7.03. [RESERVED]

Section 7.04. [RESERVED]

Section 7.05. Sale of the System . So long as the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Resolutions. Additionally, so long as the Notes are outstanding and except as otherwise required by law and with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds and Notes Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit first in the Sinking Funds and thereafter, in the Notes Payment Fund, respectively, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Prior Bonds and the Notes. Any balance remaining after the payment of all the Prior Bonds and the Notes and interest, if any, thereon, shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received

during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $50,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the 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, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds of any such sale shall be deposited in the Depreciation Reserve. The payment of such proceeds into the Depreciation Reserve shall not reduce the amount required to be paid into such fund by other provisions of the Prior Resolution. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $200,000 and insufficient to pay all Bonds and Notes then Outstanding without the prior approval and consent in writing of the Holders of the Bonds and Notes then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds and Notes for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. [RESERVED]

Section 7.07. [RESERVED]

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Council and the Authority, 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 Council and the Authority 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 Council and the Authority, or their agents and representatives, to inspect all records pertaining to the operation and maintenance of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Council and the Authority, or any other original purchasers of the Notes, and shall mail in each year to any Holder or Holders of Notes, as the case may be, requesting the same, an annual report containing the following:

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Resolution with respect to the Prior Bonds or the Notes, as the case may be, and the status of all said funds and accounts.

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Notes, as the case may be, and shall submit said report to the Council and the Authority, or any other original purchasers of the Notes. Such audit report submitted to the Council and the Authority shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial states shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall permit the Council and the Authority, 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 Council and the Authority, 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 Council and the Authority with respect to the System pursuant to the Act.

Section 7.09. [RESERVED]

Section 7.10. Operating Budget and Monthly Financial ReportThe 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 Council and the Authority 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 Council, the Authority and to any Holder of any Notes, within 30 days of adoption and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Notes, or anyone acting for and in behalf of such Holder of any Notes.

Commencing on the Closing Date and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Council and the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. Prior to the issuance of the Notes, the Issuer shall 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 Council and the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Council and the Authority is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

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

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer shall 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 shall diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

all further actions to enforce collections to the maximum extent permitted by law. If the waterworks facilities are not owned by the Issuer, the Issuer shall use diligent efforts to enter into a termination agreement with the provider of such water services, subject to any required approval of such agreements by the Public Service Commission of West Virginia.

Section 7.14. No Free Services. The Issuer shall not render or cause to be rendered any free services of any nature by the System, or any part thereof, nor shall 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 Notes remain Outstanding, the Issuer shall, 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 prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

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

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project, provided that the amounts and terms of such coverage are satisfactory to the Council and the Authority. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear. The Issuer shall verify such insurance prior to commencement of construction.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter

produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

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

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

Section 7.18. [RESERVED]

Section 7.19. Statutory Mortgage Lien. For the further protection of Registered Owners of the Notes, 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 the deliver of the Notes, provided however, that the statutory mortgage lien of the Notes shall be junior and subordinate to the statutory mortgage lien of the Prior Bonds.

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

The Issuer shall comply with all applicable laws, rules and regulations issued by the Authority, the Council or other federal, State 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 shall 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 (17CFR Part 240).

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

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Notes held in "contingency" as set forth in the schedules attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Notes made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings.

Section 8.02. Certificate as to the Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Notes as a condition to issuance of the Notes.

ARTICLE IX

DEFAULT AND REMEDIES

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

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

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

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

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note, as the case may be, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and this Resolution relating thereto, (iii) bring suit upon the Notes, as the case may be, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Notes, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of this Resolution with respect to the Notes, or the rights of such Registered Owners, provided that, all rights and remedies of the Holders of the Notes shall be junior and subordinate to those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Note may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Notes any Registered Owner of a Note 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 Notes and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Resolution and the Act.

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

Whenever all that is due upon the Notes and interest thereon and under any covenants of this Resolution for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Notes 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 Notes. 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 Notes and the curing and making good of any Event of Default with respect thereto under the provisions of this Resolution, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF NOTES

Section 10.01. Payment of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Notes, the principal of and interest, if any, due or to become due thereon, at the times and in the manner set forth in the Notes and/or this Resolution, then with respect to the Notes only, this Resolution and the pledges of proceeds of tax increment financing obligations issued by the County Commission of Putnam County, revenue bonds, refunding revenue bonds or bond anticipation notes of the Issuer and grants (other than grants from the West Virginia Infrastructure Fund) or other financial assistance and other monies and securities pledged under this Resolution, and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of ResolutionPrior to issuance of the Notes, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Notes, 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 Notes shall be made without the consent in writing of the Registered Owners of the Notes so affected and then Outstanding; provided, that no change shall be made in the maturity of any Note or Notes or the rate of interest, if any, thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest 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 Notes required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Noteholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Notes, if any, from gross income of the holders thereof.

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

Section 11.03. Severability of Invalid ProvisionsIf 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 Notes, if any.

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

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

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date This Resolution shall take effect immediately upon adoption.

Adopted this 7th day of September, 2005.

Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of South Putnam Public Service District on the 7th day of September, 2005.

Dated: September 8, 2005.

[SEAL]

Secretary

08/19/05
847280.00002

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewerage System Bond Anticipation Notes, Series 2005 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENT RELATING TO SUCH NOTES AND THE SALE AND DELIVERY OF SUCH NOTES TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE NOTES.

WHEREAS, the Public Service Board (the "Governing Body") of South Putnam Public Service District (the "Issuer") has duly and officially adopted a note resolution, effective September 7, 2005 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 2005 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH NOTES; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH NOTES; APPROVING, RATIFYING AND CONFIRMING A

LOAN AGREEMENT RELATING TO SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Resolution provides for the issuance of the Sewerage System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund) (the "Notes"), of the Issuer, in the aggregate principal amount not to exceed $2,000,000, and has authorized the execution and delivery of the loan agreement, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Notes should be established by a supplemental resolution pertaining to the Notes; and that other matters relating to the Notes be herein provided for;

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

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

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

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

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage

System Bond Anticipation Notes, Series 2005 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Note, numbered AR-1, in the principal amount of $2,000,000. The Notes shall be dated the date of delivery thereof and shall finally mature September 1, 2007. The principal of the Notes shall be payable in annual installments of One Hundred Dollars ($100) on June 1, 2006 and June 1, 2007, with the entire outstanding principal amount payable in full on September 1, 2007. The interest on the Notes is equal to 3% of the principal amount of the Notes and shall be payable on September 1, 2007.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Notes shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Notes shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate The Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Notes under the Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Notes, 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 Notes under the Resolution.

Section 6. The Issuer does hereby appoint and designate the Putnam County Bank, Hurricane, West Virginia, to serve as Depository Bank under the Resolution.

Section 7. The proceeds of the Notes, as requisitioned from time to time, shall be deposited in or credited to the Notes Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance thereof and related costs.

Section 8. 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 Notes to be issued hereby and by the Resolution

approved and provided for, to the end that the Notes may be delivered on or about September 8, 2005, to the Authority pursuant to the Loan Agreement.

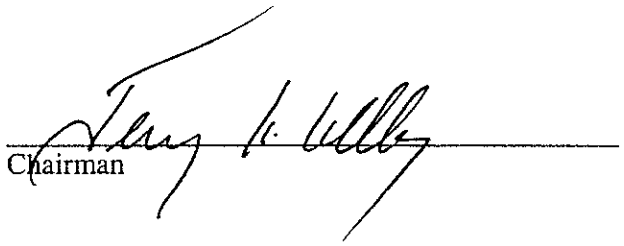
Section 9. The acquisition and construction of the Project and the temporary financing thereof in part with proceeds of the Notes are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 10. 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 Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Moneys in the Notes Payment Fund shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 11. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 12. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 7th day of September, 2005.



Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 7th day of September, 2005.

Dated: September 8, 2005.

[SEAL]

R Jane Carte
Secretary

08/19/05

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND SERIES 2002 B (WEST VIRGINIA SRF PROGRAM)

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I		
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01	Authority for this Resolution	1
Section 1.02	Findings	2
Section 1.03	Bond Legislation Constitutes Contract	4
Section 1.04	Definitions	4
ARTICLE II		
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT		
Section 2.01	Authorization of Acquisition and Construction of the Project	13
ARTICLE III		
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT		
Section 3.01	Authorization of Bonds	14
Section 3.02	Terms of Bonds	14
Section 3.03	Execution of Bonds	15
Section 3.04	Bond Registrar; Authentication and Registration	15

Section 3.05	Negotiability, Transfer and Registration	16
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	17
Section 3.07	Bonds not to be Indebtedness of the Issuer	17
Section 3.08	Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds	17
Section 3.09	Delivery of Bonds	18
Section 3.10	Form of Bonds	18
	FORM OF SERIES 2002 A BOND	19
	FORM OF SERIES 2002 B BOND	25
Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	34
Section 3.12	Filing of Amended Schedule	34

ARTICLE IV
[RESERVED] 35

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	36
Section 5.02	Establishment of Funds and Accounts with Commission	36
Section 5.03	System Revenues; Flow of Funds	36

ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	42
Section 6.02	Disbursements From the Bond Construction Trust Fund	42

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	44
Section 7.02	Bonds not to be Indebtedness of the Issuer	44
Section 7.03	Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds	44
Section 7.04	Initial Schedule of Rates and Charges	44
Section 7.05	Sale of the System	45

Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	46
Section 7.07	Parity Bonds	46
Section 7.08	Books; Records and Audit	48
Section 7.09	Rates	50
Section 7.10	Operating Budget and Monthly Financial Report	51
Section 7.11	Engineering Services and Operating Personnel	52
Section 7.12	No Competing Franchise	52
Section 7.13	Enforcement of Collections	53
Section 7.14	No Free Services	53
Section 7.15	Insurance and Construction Bonds	53
Section 7.16	Mandatory Connections	55
Section 7.17	Completion of Project; Permits and Orders	56
Section 7.18	Compliance with Letter of Conditions, Loan Agreement and Law	56
Section 7.19	Tax Covenants	56
Section 7.20	Securities Law Compliance	57
Section 7.21	Statutory Mortgage Lien	58
Section 7.22	Contracts; Public Releases	58

ARTICLE VIII
INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01	Investments	59
Section 8.02	Arbitrage and Tax Exemption	59
Section 8.03	Tax Certificate and Rebate	60

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	Events of Default	62
Section 9.02	Remedies	62
Section 9.03	Appointment of Receiver	63

ARTICLE X
PAYMENT OF BONDS

Section 10.01	Payment of Bonds	65

ARTICLE XI
MISCELLANEOUS

Section 11.01	Amendment or Modification of Bond Legislation	66
Section 11.02	Bond Legislation Constitutes Contract	66
Section 11.03	Severability of Invalid Provisions	66

Section 11.04	Headings, Etc.	66
Section 11.05	Conflicting Provisions Repealed; Prior Resolutions	66
Section 11.06	Covenant of Due Procedure, Etc.	67
Section 11.07	Public Notice of Proposed Financing	67
Section 11.08	Effective Date	67
	SIGNATURES	68
	CERTIFICATION	69

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY SOUTH PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE THAN $7,078,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN $1,422,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates a public sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, improvements and betterments to the existing public sewerage system of the Issuer, consisting of extensions to the residents of Hollywood Drive and the Route 35/Interstate 64 interchange located in the Teays Valley area, to upgrade the Issuer's central interceptor system located in the Teays Valley area so as to provide additional excess capacity needed by the Issuer to meet the continual growth in the area, to provide sewer service to the new 200-acre Putnam Business Park and approximately 70 residences and businesses in that area as well as the Lock Nine area on the north side of the Kanawha River, development of a facilities plan with guidelines for the future development of the System and extensions to 50 additional customers in the Midway area of Putnam County, together with all appurtenant facilities (collectively, the "Project"), which constitute properties for the collection, treatment, purification and disposal of liquid and solid waste, sewage and industrial waste (the existing public sewerage system of the Issuer, the Project and any further additions, betterments and improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The 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 Operating Expenses of the System, the principal of and interest on the Bonds (as hereinafter defined) and to make payments into all funds and accounts and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than $8,500,000 in two series, being the Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture), in the aggregate principal amount of not more than $7,078,000 (the "Series 2002 A Bonds"), and the Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), in the aggregate principal amount of not more than $1,422,000 (the "Series 2002 B Bonds"), to permanently finance the costs of acquisition and construction of the Project (collectively, the "Series 2002 Bonds"). The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2002 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in any Reserve Account (as hereinafter

defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, including the SRF Administrative Fee (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2002 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 2002 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 2002 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined) and that its Series 2002 B Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the West Virginia Department of Environmental Protection, State Revolving Fund Program (the "DEP"), in form satisfactory to the Issuer, the Authority and the DEP, approved hereby if not previously approved by resolution of the Issuer.

G. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2002 Bonds as to liens, pledge, source of and security for payment, being the Issuer's (i) Sewer Revenue Bonds, Series 1979, dated September 12, 1980, issued in the original aggregate principal amount of $2,200,000 (the "Series 1979 Bonds"), (ii) Sewer Revenue Bonds, Series 1983, dated August 1, 1983, issued in the original aggregate principal amount of $750,000 (the "Series 1983 Bonds"), and (iii) Sewer Revenue Bonds, Series 1995, dated May 2, 1995, issued in the original aggregate principal amount of $1,300,000 (the "Series 1995 Bonds"), all held by the Purchaser (hereinafter defined). The Series 1979 Bonds, the Series 1983 Bonds and the Series 1995 Bonds are sometimes hereinafter collectively referred to as the "Prior Bonds."

The Series 2002 A Bonds and Series 2002 B Bonds shall be issued on a parity with each other and with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2002 A Bonds and Series 2002 B Bonds, the Issuer will obtain the written consent of the holder of the Prior Bonds to the issuance of the Series 2002 A Bonds and Series 2002 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 revenue or assets of the System. The Issuer is in compliance with the covenants of the Prior Bonds and the Prior Resolutions.

H. The Issuer has complied with all requirements of West Virginia law, the Letter of Conditions and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2002 Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the DEP and the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2002 Bonds or such final order will not be subject to appeal, including obtaining any additional approvals of the Public Service Commission as may be required by the final order.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2002 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means, collectively, Chapter 16, Article 13 and Chapter 22C, Article 2 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 2002 B Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the DEP under the Act.

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

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

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

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

"Bonds" means, collectively, the Series 2002 A Bonds, the Series 2002 B Bonds, the Prior Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

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

"Closing Date" means the date upon which there is an exchange of the Series 2002 A Bonds for all or a portion of the proceeds of the Series 2002 A Bonds from the Purchaser and an exchange of the Series 2002 B Bonds for all or a portion of the proceeds of the Series 2002 B Bonds from the Authority and the DEP.

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

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

"Consulting Engineers" means Howard K. Bell Consulting Engineers, Inc., Lexington, Kentucky and Randolph Engineering Company, Inc., Scott Depot, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or public corporation and political subdivisions.

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

"DEP" means the West Virginia Department of Environmental Protection, or any other agency, board or department of the State that succeeds to the functions of the DEP.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

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

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

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

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

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

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

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

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated December 26, 2001, and all amendments thereto, providing for the purchase of the Series 2002 A Bonds from the Issuer by the Purchaser.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into among the Issuer, the Authority and the DEP, providing for the purchase of the Series 2002 B 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 2002 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the any Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2002 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other

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

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

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

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 2002 B Bonds by the Issuer in the Supplemental Resolution.

"Prior Bonds" means, collectively, the Issuer's Series 1979 Bonds, Series 1983 Bonds and Series 1995 Bonds, as more particularly described in Section 1.02(G) hereof.

"Prior Resolutions" means, collectively, the resolutions of the Issuer, as supplemented, authorizing the Series 1979 Bonds, the Series 1983 Bonds and the Series 1995 Bonds, respectively.

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

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

"Purchaser" or "Government" means the United States Department of Agriculture and any successor thereof acting for and on behalf of the United States of America, which is expected to be the original purchaser and Registered Owner of the Series 2002 A Bonds.

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

(a) Government Obligations;

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

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

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

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

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

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

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

(i) Obligations of States or public corporation and political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Rebate Fund" means the Rebate Fund established by Section 5.01 hereof.

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

"Registrar" means the Bond Registrar.

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

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

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2002 Bonds and the Prior Bonds.

"Reserve Requirements" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

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

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

"Series 2002 Bonds" means, collectively, the Series 2002 A Bonds and the Series 2002 B Bonds.

"Series 2002 Bonds Construction Trust Fund" means the Construction Trust Fund for the Series 2002 A Bonds and Series 2002 B Bonds established by Section 5.01 hereof.

"Series 2002 A Bonds" means the Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture), of the Issuer, authorized by this Resolution.

"Series 2002 A Bonds Reserve Account" means the Series 2002 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2002 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 2002 A Bonds in the then current or any succeeding year.

"Series 2002 B Bonds" means the Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), of the Issuer, authorized by this Resolution .

"Series 2002 B Bonds Reserve Account" means the Series 2002 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 2002 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 2002 B Bonds in the then current or any succeeding year.

"Series 2002 B Bonds Sinking Fund" means the Series 2002 B Bonds Sinking Fund established by Section 5.02 hereof.

"SRF Administrative Fee" means any administrative fee required to be paid pursuant to the Loan Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of

local governmental entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the United States Environmental Protection Agency and funds of the State.

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

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2002 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 2002 Bonds, and not so included may be included in another Supplemental Resolution.

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

"System" means the complete existing sewerage system of the Issuer and all sewerage 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 sewerage system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the sewerage system from any sources whatsoever, both within and without the Issuer.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed $8,500,000, 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 Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser, the Authority and the DEP.

The cost of the Project is estimated not to exceed $8,500,000, of which approximately $7,078,000 will be obtained from proceeds of the Series 2002 A Bonds, and approximately $1,422,000 will be obtained from proceeds of the Series 2002 B Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2002 Bonds, funding reserve accounts for the Series 2002 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2002 A Bonds and the Series 2002 B Bonds of the Issuer. The Series 2002 A Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2002 A (United States Department of Agriculture)", in the principal amount of not more than $7,078,000; and the Series 2002 B Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2002 B (West Virginia SRF Program)", in the principal amount of not more than $1,422,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2002 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2002 Bonds, if any, shall be deposited in or credited to the Series 2002 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2002 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2002 A Bond.

B. The Series 2002 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 quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2002 B 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 2002 B Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2002 A Bonds shall initially be issued in the form of a single bond, fully registered to the Purchaser, with a record of advances attached representing the aggregate principal amount of the Series 2002 A Bonds and the Series 2002 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2002 B Bonds. The Series 2002 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Purchaser nor the Authority shall be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, in such denominations, dated such dates and bear interest at such rates as determined by a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2002 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 2002 Bonds shall cease to be such officer of the Issuer before the Series 2002 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Bond Registrar; Authentication and Registration. A. The Issuer shall be the Bond Registrar with respect to the Series 2002 A Bonds and will keep or cause to be kept at its office by its agent, sufficient books for the registration and transfer of the Series 2002 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2002 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2002 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2002 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each

trust and the name of the trustee of each trust, and/or such other identifying number and information as may be required by law. The Series 2002 A 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 2002 A Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

B. The Bond Registrar with respect to the Series 2002 B Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2002 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Series 2002 B Bonds shall be conclusive evidence that such Series 2002 B Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2002 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2002 B Bonds issued hereunder. The provisions of this Section 3.04 relating to authentication shall not apply to the Series 2002 A Bonds, notwithstanding anything herein to the contrary.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2002 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 2002 Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2002 Bonds remain outstanding, the Bond Registrar for the Series 2002 Bonds shall keep and maintain books for the registration and transfer of such Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2002 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2002 Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2002 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all Series 2002 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. With respect to the Series 2002 A Bonds, the Chairman is hereby authorized and directed to cause such Bonds, hereby awarded to the Purchaser pursuant to the Letter of Conditions, as amended, to be delivered to the Purchaser on the date of delivery of the Series 2002 B Bonds.

B. The Issuer shall execute and deliver the Series 2002 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2002 B 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 2002 B 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 2002 B 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 2002 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 2002 A Bonds and the Series 2002 B Bonds shall be in substantially the following respective forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2002 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1 Date: March 7, 2002

FOR VALUE RECEIVED, the SOUTH PUTNAM PUBLIC SERVICE DISTRICT (the "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of SEVEN MILLION SEVENTY-EIGHT THOUSAND DOLLARS ($7,078,000), plus interest on the unpaid principal balance at the rate of 5.0% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $34,470, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of improvements and extensions to the existing public sewerage system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Resolution. This Bond does not in any manner constitute a corporate indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of Borrower, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted on March 5, 2002, and a Supplemental Resolution of the Borrower duly adopted on March 5, 2002, authorizing issuance of this Bond (collectively, the "Resolution ").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated 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) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000, (2) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000, (3) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000, AND (4) SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM), DATED MARCH 7, 2002, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,422,000.

IN WITNESS WHEREOF, the SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman
(Title of Executive Official)

Post Office Box 147
(P.O. Box No. or Street Address)

Scott Depot, West Virginia 25560
(City, State and Zip Code)

ATTEST:

_____
(Signature of Attesting Official)

Secretary
(Title of Attesting Official)

RECORD OF ADVANCES

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

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, _____.

_____

In presence of:

_____

(FORM OF SERIES 2002 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, SERIES 2002 B
(WEST VIRGINIA SRF PROGRAM)

No. BR-1 $1,422,000

KNOW ALL MEN BY THESE PRESENTS: That the SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public service district and public corporation and political subdivision of the State of West Virginia in Putnam County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of ONE MILLION FOUR HUNDRED TWENTY TWO THOUSAND DOLLARS ($1,422,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200___, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference, with interest payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 20___, at the rate per annum as set forth in Exhibit B attached hereto. The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200__, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia

Department of Environmental Protection (the "DEP"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the DEP, dated _____, 2002.

This Bond is issued (i) to pay the costs of acquisition and construction of improvements and extensions to the existing public sewerage 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 sewerage system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Resolution duly adopted by the Issuer on March 5, 2002, and a Supplemental Resolution duly adopted by the Issuer on March 5, 2002 (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) SEWER REVENUE BONDS, SERIES 1979, DATED SEPTEMBER 12, 1980, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,200,000 (THE "SERIES 1979 BONDS"), (2) SEWER REVENUE BONDS, SERIES 1983, DATED AUGUST 1, 1983, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $750,000 (THE "SERIES 1983 SERIES"), (3) SEWER REVENUE BONDS, SERIES 1995, DATED MAY 2, 1995, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,300,000 (THE "SERIES 1995 BONDS"), AND (4) SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED MARCH 7, 2002, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $7,078,000 (THE "SERIES 2002 A BONDS"). THE SERIES 1979 BONDS, THE SERIES 1983 BONDS AND THE SERIES 1995 BONDS ARE COLLECTIVELY REFERRED TO AS THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2002 A Bonds, the Prior Bonds and from monies in the reserve account created under the Bond Legislation for the Bonds (the "Series 2002 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the

Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues, the monies in the Series 2002 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2002 A Bonds and the Prior Bonds; provided that, so long as the Prior Bonds and the Series 2002 A Bonds are no longer outstanding and in the event there exists in the Series 2002 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, 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 Branch Banking and Trust Company, Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

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

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of 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, the SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman, and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated March 7, 2002.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Date: March 7, 2002.

BRANCH BANKING AND TRUST COMPANY,
as Registrar

_____
Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. A. The Series 2002 A Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

B. The Series 2002 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. Filing of Amended Schedule. Within 60 days following the Completion Date, the Issuer will file with the Authority and the DEP a schedule the form of the which will be provided by the DEP, 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 Prior Resolutions) with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

(1) Revenue Fund (established by the Prior Resolutions);

(2) Renewal and Replacement Fund (resulting from the combination with the Depreciation Reserve established by the Prior Resolutions);

(3) Series 2002 Bonds Construction Trust Fund; and

(4) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

(1) Series 2002 A Bonds Reserve Account;

(2) Series 2002 B Bonds Sinking Fund; and

(3) Series 2002 B Bonds Reserve Account.

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

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

(2) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on or before the due date of payment of each installment on the Prior Bonds, remit to the National Finance Office the amounts required by the Prior Resolutions to pay the interest on the Prior Bonds; (ii) remit to the National Finance Office, beginning on April 7, 2002 and continuing on the 7th day of each month thereafter, the amount required to pay the interest on the Series 2002 A Bonds; and (iii) on the first day of each month, commencing 3 months prior to the first date of payment of interest on the Series 2002 B Bonds, remit to the Commission for deposit in the Series 2002 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 2002 B Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 B Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, each month, transfer from the Revenue Fund and (i) on or before the due date of payment of each installment on the Prior Bonds, remit to the National Finance Office the amounts required by the Prior Resolutions to pay the principal of the Prior Bonds; (ii) remit to the National Finance Office, beginning March 7, 2004 and continuing on the 7th day of each month thereafter, the amount required to pay the principal of the Series 2002 A Bonds; and (iii) on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 2002 B Bonds, remit to the Commission for deposit in the Series 2002 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2002 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2002 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and (i) remit to the Depository Bank, the amounts required by the Prior Resolutions to be deposited in the respective Reserve Accounts for the Prior Bonds, (ii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2002 A Bonds, for deposit in the Series 2002 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 A Bonds Reserve Requirement until the amount in the Series 2002 A Bonds Reserve Account equals the Series 2002 A Bonds

Reserve Requirement; provided that, no further payments shall be made into the Series 2002 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2002 A Bonds Reserve Requirement; and (iii) remit to the Commission, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2002 B Bonds, for deposit in the Series 2002 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2002 B Bonds Reserve Requirement, until the amount in the Series 2002 B Bonds Reserve Account equals the Series 2002 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2002 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 2002 B Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account; provided, that, as long as the Prior Bonds remain outstanding, the Issuer must accumulate in the Renewal and Replacement Fund the aggregate sum of $200,000 and maintain such sum therein and shall use the monies therein as provided by the Prior Resolution, except that any deficiencies in the debt service payments on the Series 2002 A Bonds and Series 2002 B Bonds shall be payable from the Renewal and Replacement Fund on a parity with the Prior Bonds. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Accounts (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose of the System.

Monies in the Series 2002 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2002 A Bonds as the same shall come due, when other monies are insufficient therefor, and for no other purpose, except for

transfers to the Rebate Fund permitted hereunder. Whenever the monies in the Series 2002 A Bonds Reserve Account shall be sufficient to prepay the Series 2002 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2002 A Bonds accrued interest thereon to such prepayment date.

Monies in the Series 2002 B Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest on the Series 2002 B Bonds as the same shall become due. Monies in the Series 2002 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2002 B Bonds as the same shall come due, when other monies in the Series 2002 B Bonds Sinking Fund are insufficient therefor, and for no other purpose, except for transfers to the Rebate Fund permitted hereunder. Whenever the monies in the Series 2002 B Bonds Reserve Account shall be sufficient to prepay the Series 2002 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 2002 B Bonds and accrued interest thereon to such prepayment date.

Except to the extent transferred to the Rebate Fund, all investment earnings on monies in the Series 2002 A Bonds Reserve Account (if fully funded), the Series 2002 B Bonds Sinking Fund and the Series 2002 B 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 2002 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 2002 A Bonds and the Series 2002 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2002 A Bonds Reserve Account or the Series 2002 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 2002 A Bonds Reserve Requirement or the Series 2002 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2002 A Bonds Reserve Account or the Series 2002 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of

the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2002 A Bonds, the Series 2002 B Bonds and the Prior Bonds in accordance with the respective principal amounts then Outstanding.

The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser, the DEP and the Authority.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account created hereunder, and all amounts required for such funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Purchaser, the Authority or the DEP at any time, the Issuer shall make the necessary arrangements whereby required payments into the said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

The Depository Bank is hereby designated as the Fiscal Agent for the administration of the Renewal and Replacement Fund as herein provided, and all amounts required for the Renewal and Replacement Fund will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written instructions stating the amount remitted for deposit into each such fund.

Monies in the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B Bonds Reserve Account (except with respect to transfers to the Rebate Fund), shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2002 A Bonds and the Series 2002 B Bonds, respectively, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) remit to the Commission the required principal, interest and reserve account payments and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof

consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the SRF Administrative Fee as set forth in the Loan Agreement.

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

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

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

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2002 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2002 A Bonds, there shall be deposited with the Commission in the Series 2002 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2002 A Bonds Reserve Account.

B. From the proceeds of the Series 2002 B Bonds, there shall be deposited with the Commission in the Series 2002 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2002 B Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2002 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2002 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2002 A Bonds.

D. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2002 B Bonds, such monies shall be deposited with the Depository Bank in the Series 2002 Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2002 B Bonds.

E. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2002 A Bonds shall be expended as directed by the Purchaser and any remaining proceeds of the Series 2002 B Bonds shall be expended as directed by the DEP.

Section 6.02. Disbursements From the Bond Construction Trust Fund.

A. Monies in the Series 2002 Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will transfer from the Series 2002 Bonds Construction Trust Fund 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

installment payments on the Series 2002 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Series 2002 Bonds Construction Trust Fund shall be disposed of in accordance with the regulations of the Purchaser.

B. On or before the Closing Date, the Issuer shall have delivered to the Authority and the DEP a report listing the specific purposes for which the proceeds of the Series 2002 B Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2002 Bonds Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) a completed and signed "Payment Requisition Form," a form of which is attached to the Loan Agreement, in compliance with the construction schedule and

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

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

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

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

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

Pending such application, monies in the Series 2002 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2002 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 2002 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 2002 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2002 Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2002 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds. The payment of the debt service of all the Series 2002 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 lien on the Net Revenues in favor of the holders of the Prior Bonds. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2002 Bonds and the Prior Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Commission Order of the Public Service Commission of West Virginia entered February 25, 2002, in Case No. 01-0597-PSD-CN, and such rates are hereby adopted, which rates are incorporated herein by reference as a part hereof.

So long as the Prior Bonds and Series 2002 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System

and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2002 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds and Series 2002 Bonds are outstanding and except as otherwise required by law or with the written consent of the Purchaser, the Authority and the DEP, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2002 A Bonds, immediately be remitted to the National Finance Office, and with respect to the Series 2002 B Bonds, immediately be remitted to the Commission for deposit in the Series 2002 B Bonds Sinking Fund, and, with the written consent of the Purchaser, the Authority and the DEP, the Issuer shall direct the National Finance Office and the Commission to apply such proceeds to the payment of principal of and interest on the Series 2002 Bonds. Any balance remaining after the payment of all the Series 2002 Bonds and interest thereon shall be remitted to the Issuer unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with a professional engineer that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and

Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into such fund by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

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

Section 7.07. Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Resolutions shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2002 Bonds pursuant to this Bond Legislation, without the prior written consent of the Purchaser, the Authority and the DEP and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2002 Bonds.

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

So long as the Prior Bonds and the Series 2002 A Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Bonds Outstanding;

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

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

The foregoing limitation may be waived or modified by the written consent of the Holders of the Prior Bonds and the Series 2002 B Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Prior Bonds and the Series 2002 A Bonds are no longer outstanding, the following parity requirement shall be met:

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

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 2002 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 2002 Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring,

constructing and installing the Project. The Issuer shall permit the Purchaser, the Authority and the DEP or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Purchaser, the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

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

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2002 Bonds and shall submit said report to the Purchaser, the Authority and the DEP, or any other original purchaser of the Series 2002 Bonds. Such audit report submitted to the Purchaser, the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

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

Section 7.09. Rates. Prior to the issuance of the Series 2002 Bonds, equitable rates or charges for the use of and service rendered by the System shall be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and

continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2002 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 Bonds, including the Prior Bonds; provided that, so long as the Prior Bonds and the Series 2002 A Bonds are no longer outstanding, and in the event that an amount equal to or in excess of the reserve requirement is on deposit respectively in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2002 B 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 2002 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2002 B Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services described in Section 7.04 hereof.

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

Commencing on the date contracts are executed for the acquisition and construction of the Project and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the

Loan Agreement and forward a copy of such report to the Authority and the DEP by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Purchaser, the Authority and the DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Purchaser, the Authority and the DEP is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System during the entire term of the Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 50% completion stage.

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

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

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

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

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the

System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Purchaser, the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

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

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

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the DEP and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or

building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

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

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

Section 7.18. Compliance with Letter of Conditions, Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, the Loan Agreement, the Act and this Bond Legislation. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Purchaser, the Authority and the DEP, or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System. The Issuer shall provide the DEP with copies of all documents submitted to the Purchaser and the Authority.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (I) not in excess of 10% of the Net Proceeds of the Series 2002 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 2002 Bonds during the term thereof is, under the terms of the Series 2002 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 2002 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 2002 Bonds during the term thereof is, under the terms of the Series 2002 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 2002 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 2002 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of the portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2002 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 2002 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 2002 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 2002 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2002 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 2002 Bonds and shall be on a parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2002 Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Purchaser and the DEP for written approval. The Issuer shall obtain the written approval of the Purchaser and the DEP before expending any proceeds of the Series 2002 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Purchaser and the DEP before expending any proceeds of the Series 2002 Bonds made available due to bid or construction or project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

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

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

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

Section 8.02. 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 2002 Bonds which would cause the Series 2002 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 2002 Bonds) so that the interest on the Series 2002 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 2002 B Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2002 B 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 the required rebate amount, any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from

the Internal Revenue Service, if necessary, and take any other actions necessary, in order to maintain the exclusion of interest on the Series 2002 B Bonds from gross income for federal income tax purposes.

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

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation 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 2002 B 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 2002 B 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 2002 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2002 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 2002 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2002 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond;

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

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

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on any series of the Series 2002 Bonds or the Prior Bonds, it shall constitute an "Event of Default" with respect to the other series of the Series 2002 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 2002 A Bonds and the Series 2002 B Bonds shall be on a parity with each other and the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2002 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 the pledge of Net Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2002 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 2002 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2002 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2002 Bonds, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2002 Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2002 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Series 2002 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 2002 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 2002 Bonds.

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

Section 11.05. Conflicting Provisions Repealed; Prior Resolutions. All orders or resolutions and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; provided that, this Section shall not be

applicable to the Loan Agreement or the Loan Resolution (Form FmHA 442-47); and provided that in the event of any conflict between this Resolution and the Prior Resolutions, the Prior Resolutions shall control (unless less restrictive), so long as the Prior Resolutions or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, the Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. 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 South Putnam Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 2002 Bonds to be issued;

(b) The maximum interest rate and terms of the Series 2002 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 5th day of March, 2002.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of the SOUTH PUTNAM PUBLIC SERVICE DISTRICT on the 5th day of March, 2002.

Dated: March 7, 2002.

[SEAL]

R Jane Carte
Secretary

03/04/02
847280.00001

CH497393.1

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bonds, Series 2002 A
(United States Department of Agriculture) and
Sewer Revenue Bonds, Series 2002 B
(West Virginia SRF Program)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNTS, DATES, MATURITY DATES, REDEMPTION PROVISIONS, INTEREST RATES, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICES AND OTHER TERMS OF THE SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM), OF THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO THE SERIES 2002 B BONDS; AUTHORIZING AND APPROVING THE SALE OF THE SERIES 2002 A BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2002 B BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of the South Putnam Public Service District (the "Issuer") has duly and officially adopted a bond resolution on March 5, 2002 (the "Bond Resolution" or the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE SYSTEM OF THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE SOUTH PUTNAM PUBLIC SERVICE DISTRICT OF NOT MORE

THAN $7,078,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2002 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN $1,422,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2002 B (WEST VIRGINIA SRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Resolution provides for the issuance of Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture) and Series 2002 B (West Virginia SRF Program Fund), of the Issuer (collectively, the "Bonds" and individually, the "Series 2002 A Bonds" and the "Series 2002 B Bonds"), in the respective aggregate principal amounts not to exceed $7,078,000 and $1,422,000, and has authorized the execution and delivery of the Loan Agreement relating to the Series 2002 B Bonds, including all schedules and exhibits attached thereto, by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Department of Environmental Protection (the "DEP") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13A, and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amounts, dates, maturity dates, redemption provisions, interest rates, interest and principal payment dates, sale prices and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

WHEREAS, the Series 2002 A Bonds are proposed to be purchased by the United States Department of Agriculture, acting for and on behalf of the United States of America (the "Purchaser") pursuant to a Letter of Conditions, and all amendments, and the

Series 2002 B Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified by the Issuer, that the exact principal amounts, the dates, the maturity dates, the redemption provisions, the interest rates, the interest and principal payment dates, the sale prices and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

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

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

A. Sewer Revenue Bonds, Series 2002 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of $7,078,000. The Series 2002 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 5.0% per annum, interest only payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 2002 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $34,470 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 2002 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2002 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2002 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

B. Sewer Revenue Bonds, Series 2002 B (West Virginia SRF Program), of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of $1,422,000. The Series 2002 B Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2023, and shall bear interest at the rate of two percent (2%) per annum. The principal of and interest on Series 2002 B Bonds shall be payable quarterly, on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2003, and maturing June 1, 2023, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2002 B Bonds. The Series 2002 B Bonds shall be subject to redemption upon the

written consent of the Authority and the DEP, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2002 B Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 2002 Bonds set forth in the "Schedule Y" attached to the Loan Agreement.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Board and the Authority. The Issuer does hereby authorize, approve and accept the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued on the Series 2002 B Bonds, provided that the proceeds of the Series 2002 A Bonds and the Series 2002 B Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate Branch Banking and Trust Company, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2002 B Bonds under the Bond Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2002 B Bonds under the Bond Resolution.

Section 6. The Issuer does hereby appoint and designate Putnam County Bank, Hurricane, West Virginia, to serve as Depository Bank under the Bond Resolution.

Section 7. All proceeds of the Series 2002 A Bonds shall be deposited in or credited to the Series 2002 Bonds Construction Trust Fund as received from the Purchaser from time to time for payment of costs of the Project, including, without limitation, costs of issuance of the Series 2002 A Bonds.

Section 8. Series 2002 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2002 B Bonds Sinking Fund, as capitalized interest.

Section 9. Series 2002 B Bonds proceeds in the amount of -0- shall be deposited in the Series 2002 B Bonds Reserve Account.

Section 10. The balance of the proceeds of the Series 2002 B Bonds shall be deposited in or credited to the Series 2002 Bonds Construction Trust Fund for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 11. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds to be issued hereby and by the Bond Resolution approved and provided for, to the end that the Series 2002 A Bonds may be delivered on or about March 7, 2002, to the Purchaser pursuant to the Letter of Conditions, and the Series 2002 B Bonds may be delivered on or about March 7, 2002, to the Authority pursuant to the Loan Agreement.

Section 12. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, subject to any limitation of the Purchaser with respect of the proceeds of the Bonds, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Monies in the Series 2002 A Bonds Reserve Account, the Series 2002 B Bonds Sinking Fund and the Series 2002 B 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 2002 B 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 2002 B 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 2002 B 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. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

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

Adopted this 5th day of March, 2002.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the South Putnam Public Service District on this 5th day of March, 2002.

Dated: March 7, 2002.

[SEAL]

Secretary

03/04/02
847280.00001

CH497528.1

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bond, Series 1995

BOND RESOLUTION

Table of Contents

Subject		Page
	ARTICLE I **STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS**	
Section 1.01	Authority for This Resolution	1
Section 1.02	Findings and Determinations	1
Section 1.03	Bond Legislation Constitutes Contract	3
Section 1.04	Definitions	3
	ARTICLE II **AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT**	
Section 2.01	Authorization of Acquisition and Construction of the Project	8
	ARTICLE III **AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND**	
Section 3.01	Authorization of Bond	9
Section 3.02	Description of Bond	9
Section 3.03	Negotiability, Registration, Transfer and Exchange of Bonds	9
Section 3.04	Registrar	9
Section 3.05	Execution of Bond	10
Section 3.06	Bonds Mutilated, Destroyed, Stolen or Lost	10
Section 3.07	Bond Secured by Pledge of Net Revenues	10
Section 3.08	Form of Bond	11
	FORM OF BOND	12

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01	Establishment and Continuation of Funds and Accounts with Depository Bank	18
Section 4.02	Bond Proceeds; Project Construction Account	18
Section 4.03	Covenants of the Issuer as to System Revenues and Funds	19

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01	General Statement	23
Section 5.02	Rates	23
Section 5.03	Sale of the System	23
Section 5.04	Issuance of Additional Parity Bonds or Obligations	23
Section 5.05	Insurance and Bonds	23
Section 5.06	Statutory Mortgage Lien	25
Section 5.07	Events of Default	25
Section 5.08	Enforcement	25
Section 5.09	Fiscal Year; Budget	25
Section 5.10	Compensation of Members of Governing Body	26
Section 5.11	Covenant to Proceed and Complete	26
Section 5.12	Books and Records; Audits	26
Section 5.13	Maintenance of System	27
Section 5.14	No Competition	27
Section 5.15	Mandatory Connections	27

ARTICLE VI
RATES, ETC.

Section 6.01	Initial Schedule of Rates and Charges; Rules	28

ARTICLE VII
MISCELLANEOUS

Section 7.01	Payment of Bond	29
Section 7.02	Modification or Amendment	29
Section 7.03	Delivery of Bond	29
Section 7.04	Severability of Invalid Provisions	29
Section 7.05	Prior Resolutions; Conflicting Provisions Repealed	29
Section 7.06	Table of Contents and Headings	29

Section 7.07	Covenant of Due Procedure, Etc.	30
Section 7.08	Effective Time	30
	SIGNATURES	30

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF $1,300,000 SEWER REVENUE BOND, SERIES 1995, OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT, ON A PARITY WITH THE OUTSTANDING SEWER REVENUE BOND, SERIES 1979, AND SEWER REVENUE BOND, SERIES 1983, OF THE DISTRICT, TO FINANCE THE COST, NOT OTHERWISE PROVIDED, OF ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC SERVICE PROPERTIES CONSISTING OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING SEWERAGE SYSTEM OF THE DISTRICT AND ALL APPURTENANT FACILITIES; 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 SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for This Resolution. This Resolution 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. South Putnam Public Service District (the "Issuer") is a public corporation and public service district and political subdivision of the State of West Virginia in Putnam County of said State, duly created pursuant to the Act by The County Commission of Putnam County.

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

A. The Issuer now has a public sewerage system and desires to finance and acquire, construct, operate and maintain certain additional public service properties consisting of improvements and extensions to such existing sewerage facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

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 certain improvements to and extensions of the existing sewerage facilities of the Issuer, consisting of a wastewater collection system to service approximately 315 customers in the Route 60 - Lake Washington area and 35 customers in the Sunnybrook area of Putnam County, West Virginia, and 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. The Issuer has entered into a sewage treatment contract with the City of Hurricane, pursuant to which the City will provide sewage treatment services to the Issuer. The existing sewerage facilities of the Issuer, together with the Project and any further extensions or improvements thereto, are herein called the "System." 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. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

D. The estimated maximum cost of the acquisition and construction of the Project is $4,381,860, of which $1,300,000 will be obtained from the proceeds of sale of the Bond herein authorized and $3,081,860 from a grant by the United States Environmental Protection Agency.

E. It is necessary for the Issuer to issue its sewer revenue bond in the principal amount of $1,300,000 to finance a portion of the cost of such acquisition and construction in the manner hereinafter provided. 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 six months after completion of such construction to the extent that revenues of the System 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 acquisition and construction of the Project and the financing authorized hereby; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for Costs of the Project by the Issuer shall be deemed Costs of the Project.

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

G. There are outstanding two obligations of the Issuer which will rank on a parity with the Bond as to liens, pledge and source of and security for payment, being the Sewer Revenue Bond, Series 1979 (the "1979 Bond"), dated September 12, 1980, issued in the original principal amount of $2,200,000, and the Sewer Revenue Bond, Series 1983 (the "1983 Bond"), dated August 1, 1983, issued in the original principal amount of $750,000, both held by the Purchaser (hereinafter defined). The 1979 Bond and the 1983 Bond are hereinafter collectively referred to as the "Prior Bonds".

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

The Issuer is not in default under the terms of the Prior Bonds, or any resolution authorizing issuance of the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

H. It is in the best interest of the Issuer that the Bond be sold to the Purchaser (hereinafter defined), pursuant to the terms and provisions of a Letter of Conditions dated October 25, 1994, and all amendments thereto, if any (the "Letter of Conditions").

I. The Issuer has complied with all requirements of law relating to the authorization of 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 Bond, or will have so complied prior to issuance of the Bond, including, among other things and without limitation, 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 or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bond by those who shall be the registered owner of the same from time to time, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Bondholder, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the registered owner of the Bond.

Section 1.04. Definitions. Terms not otherwise defined herein shall have the same meanings as set forth in the Prior Resolutions when used herein. The following terms shall have the following meanings herein unless the text otherwise expressly requires:

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

"Bond" means the Sewer Revenue Bond, Series 1995, authorized hereby.

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

"Bonds" means, collectively, the Bond, the 1979 Bond and the 1983 Bond.

"1979 Bond" or "Series 1979 Bond" means the outstanding Sewer Revenue Bond, Series 1979, of the Issuer described in Section 1.02G hereof.

"1983 Bond" or "Series 1983 Bond" means the outstanding Sewer Revenue Bond, Series 1983, of the Issuer described in Section 1.02G hereof.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Pentree, Inc., Princeton, 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.

"Depository Bank" means Putnam County Bank, Hurricane, West Virginia, a bank or trust company which is a member of FDIC (herein defined), and its successors and assigns.

"Facilities" or "sewerage 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.

"FDIC" means the Federal Deposit Insurance Corporation.

"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.

"Herein" or "herein" means in this Bond Legislation.

"Issuer," "Borrower" or "District" means South Putnam Public Service District, in Putnam County, West Virginia, and includes the Governing Body.

"Letter of Conditions" means the Letter of Conditions of the Purchaser dated October 25, 1994, and all amendments thereto, if any.

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

"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.

"Prior Bonds" means, collectively, the 1979 Bond and the 1983 Bond.

"Prior Resolutions" means, collectively, the 1979 Resolution and the 1983 Resolution.

"Project" shall have the meaning stated in Section 1.02B above.

"Purchaser" or "Government" means the United States of America, acting by the 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 (hereinbefore 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 excluded from gross income for federal income tax

purposes, and which are rated at least "A" by Moody's Investors Service or Standard & Poor's Corporation.

"Registered Owner," "Bondholder," "Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Registrar" means the Issuer, which shall usually so act by its Secretary.

"Resolutions" means, collectively, the 1979 Resolution, 1983 Resolution and the Bond Legislation.

"1979 Resolution" means the resolution of the Issuer adopted June 19, 1979, authorizing the 1979 Bond.

"1983 Resolution" means the resolution of the Issuer adopted June 8, 1982, authorizing the 1983 Bond.

"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 existing sewerage system of the Issuer as improved, extended, enlarged and expanded by the Project, and includes the complete sewerage system of the Issuer and all sewerage 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 sewerage system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the sewerage system of the Issuer.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neuter gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $4,381,860, 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 Bond hereby authorized shall be applied as provided in Article IV hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions of the Bond Legislation, the Bond of the Issuer, to be known as "Sewer Revenue Bond, Series 1995," is hereby authorized to be issued in the aggregate principal amount of not exceeding $1,300,000 for the purpose of financing a portion of the cost of the acquisition and construction of the Project.

Section 3.02. Description of Bond. The Bond shall be issued in single form, numbered R-1, only as a fully registered Bond, and shall be dated the date of delivery thereof. The Bond shall bear interest from the date of delivery, payable monthly at the rate of 6% 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 3.03. 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 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 3.04 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.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 3.04. Registrar. The Issuer shall be the Registrar and 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 the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Bond shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Bond 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. 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. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.06. 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 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 3.07. 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, on a parity with the liens and pledge of the Prior Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and

interest on the Bonds, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due as herein provided.

Section 3.08. 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 by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

SEWER REVENUE BOND, SERIES 1995

$1,300,000

No. R-1 Date: _____

FOR VALUE RECEIVED, SOUTH PUTNAM PUBLIC SERVICE DISTRICT (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 ONE MILLION THREE HUNDRED THOUSAND DOLLARS ($1,300,000), plus interest on the unpaid principal balance at the rate of 6% 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 $7,254, 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 extensions and improvements to the sewerage system (the "System") of the Borrower, is payable solely from and secured by 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 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 Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13A of the West Virginia Code, as amended (the "Act"), and a Resolution of the Borrower duly adopted 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.

This Bond is on a parity as to liens, pledge and source of and security for payment from such revenues, and in all other respects, with the Prior Bonds, defined and described in the Resolution.

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be executed by its Chairman and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Secretary, all as of the date hereinabove written.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

_____
(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

P. O. Box 147
(P. O. Box No. or Street Address)

Scott Depot, West Virginia 25560-0147
(City, State and Zip Code)

ATTEST:

_____
(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Executive Official)

(Form of)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

TOTAL $

(Form of Assignment)

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:

_____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment and Continuation of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the Prior Resolutions), and shall be held by, the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the Prior Resolutions and continued hereby);

(2) Reserve Fund (established by the Prior Resolutions and continued hereby);

(3) Depreciation Reserve (established by the Prior Resolutions and continued hereby); and

(4) Project Construction Account.

Section 4.02. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bond shall be deposited upon receipt by the Issuer in 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 the Depository 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.

Moneys in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

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 4.02, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

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 Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.03. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund, sums sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holders of the Bonds as follows:

A. REVENUE FUND. 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 the Resolutions and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Resolutions.

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 3.02 of the 1979 Resolution and Section 3.02 of the 1983 Resolution not otherwise modified herein.

(i) The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

(ii) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bonds (or such other place as may be provided pursuant to the Bonds), the amounts required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iii) The Issuer shall next, each month, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Reserve Fund, 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of

principal and interest becoming due on the Bonds in any year, until the amount in the Reserve Fund equals such maximum amount (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 Bonds 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 shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds to said National Finance Office (or other place provided) as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(iv) The Issuer shall next, each month, on each date that payment is made as set forth in (ii) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Depreciation Reserve, 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 $200,000, and thereafter such sums as shall be required to maintain such amount therein. 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 the same become due, and next to restore to the Reserve Fund any sum or sums transferred therefrom, all on a pro rata basis. Thereafter, and provided that payments into the Reserve Fund 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.

(v) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Reserve Fund 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 Depository Bank is hereby designated as the Fiscal Agent for the administration of the Reserve Fund and the Depreciation Reserve as herein provided, and all amounts required for the Reserve Fund 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 advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Article (except the Project Construction Account) 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 for further securing payment of the Bond and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers and to deposit the required amount in any of the funds as hereinabove provided, the deficiency shall be made up in the subsequent payments, transfers and deposits in addition to those which would otherwise be required to be made on the subsequent payment dates.

Subject to the Prior Resolutions, the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or in the Prior Resolutions 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 or account. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Depository Bank.

C. CHANGE OF FISCAL AGENT. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank and Fiscal Agent if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser and shall give such other notice as required under, and in the manner provided in, the Prior Resolutions.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be at least 5,390 bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

F. INVESTMENT OF EXCESS BALANCES. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such 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 of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund 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 Bondholder.

Section 5.02. 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 Bonds 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 5.03. 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 5.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

Section 5.05. 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 and mechanical and electrical equipment in place or stored on the site 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) Workers' 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 have been or 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. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; provided however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) 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 $50,000 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.

(g) 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 5.06. Statutory Mortgage Lien. 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. The statutory mortgage lien of the Bond is on a parity with the statutory mortgage lien in favor of the holders of the Prior Bonds.

Section 5.07. 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; and

(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 5.08. 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 5.09. 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 1st 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 10%; 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 5.10. 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 5.11. 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 on file with the Secretary on the date of adoption hereof, subject to permitted changes.

Section 5.12. 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 5.13. 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 5.14. No Competition. To the extent legally allowable, 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 5.15. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

ARTICLE VI

RATES, ETC.

Section 6.01. 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 Order of the Public Service Commission of West Virginia, entered on May 1, 1995, Case No. 94-0429-PSD-CN, which Final Order is 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 all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, 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 VII

MISCELLANEOUS

Section 7.01. Payment of Bond. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bond, 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 Bond, 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 Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 7.02. Modification or Amendment. The Bond Legislation may not be modified or amended after final passage without the prior written consent of the Bondholder.

Section 7.03. Delivery of Bond. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause the Bond, 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 7.04. 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 7.05. Prior Resolutions; Conflicting Provisions Repealed. The Prior Resolutions and all parts thereof not expressly hereby changed shall continue in full force and effect and this Bond Legislation shall be supplemental to the Prior Resolutions.

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) and the Prior Resolutions.

Section 7.06. 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 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 7.08. Effective Time. This Resolution shall take effect immediately upon its adoption.

Adopted: May 2, 1995.

Chairman of Public Service Board

Member

Member

04/27/95
SPSJ.A2
847280/94001

$267,000 NORTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, 1993 SERIES A

BOND RESOLUTION

$267,000 NORTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, 1993 SERIES A

BOND RESOLUTION

Table of Contents

Subject			Page
ARTICLE I - STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS			
	Section 1.01	Authority for this Resolution	1
	Section 1.02	Definitions	1
	Section 1.03	Resolution Constitutes Contract	11
	Section 1.04	Findings	12
ARTICLE II - AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT			
	Section 2.01	Authorization of Construction and Acquisition of the Project	14
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT			
	Section 3.01	Authorization of Bonds	14
	Section 3.02	[Reserved]	16
	Section 3.03	Additional Terms of Bonds	16
	Section 3.04	Execution of Bonds	16
	Section 3.05	Authentication and Registration	16
	Section 3.06	Negotiability, Transfer and Registration	16
	Section 3.07	Bonds Mutilated, Destroyed, Stolen or Lost	17
	Section 3.08	Bonds not to be Indebtedness of the Issuer	18
	Section 3.09	Bonds Secured by Pledge of Net Revenues	18
	Section 3.10	Form of Original Bonds	18
FORM OF 1993 SERIES A BOND			20

Subject		Page
Section 3.11	Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP	27
Section 3.12	Original Bonds are Issued as Parity Bonds	27
Section 3.13	Certificate of Consulting Engineers	27
ARTICLE IV - [RESERVED]		27
ARTICLE V - SYSTEM REVENUES AND APPLICATION THEREOF		
Section 5.01	Establishment of Funds and Accounts with Depository Bank	27
Section 5.02	Establishment of Funds and Accounts with Commission	28
Section 5.03	System Revenues; Flow of Funds	28
Section 5.04	Excess Bond Proceeds	31
ARTICLE VI - APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS		
Section 6.01	Application of Original Bond Proceeds	31
Section 6.02	Disbursements from the Bond Construction Trust Fund	32
ARTICLE VII - ADDITIONAL COVENANTS OF THE ISSUER		
Section 7.01	General Covenants of the Issuer	33
Section 7.02	Bonds not to be Indebtedness of the Issuer	33
Section 7.03	Bonds Secured by Pledge of Net Revenues	34
Section 7.04	Rates	34
Section 7.05	Completion, Operation and Maintenance; Schedule of Cost	35
Section 7.06	Sale of the System	35
Section 7.07	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	36

Subject		Page
Section 7.08	Parity Bonds	37
Section 7.09	Insurance and Construction Bonds	39
Section 7.10	Consulting Engineers	40
Section 7.11	Compliance with Loan Agreement, Rules and Regulations	41
Section 7.12	No Free Services	41
Section 7.13	Enforcement of Collections	41
Section 7.14	No Competing Franchise	42
Section 7.15	Books, Records and Facilities	42
Section 7.16	Operating Budget	44
Section 7.17	Mandatory Connection	45
Section 7.18	Compliance with Loan Agreement	45
Section 7.19	Tax Covenants	45
Section 7.20	Statutory Mortgage Lien	47
Section 7.21	Compliance	47
ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE		
Section 8.01	Investments	47
Section 8.02	Arbitrage	48
Section 8.03	Rebate of Excess Investment Earnings to the United States	48
Section 8.04	Restriction of Yield and Bond Proceeds	52
ARTICLE IX - DEFAULT AND REMEDIES		
Section 9.01	Events of Default	52
Section 9.02	Remedies	53
Section 9.03	Appointment of Receiver	53
ARTICLE X - DEFEASANCE		
Section 10.01	Defeasance of Bonds	54
ARTICLE XI - MISCELLANEOUS		
Section 11.01	Amendment or Modification of Resolution	55
Section 11.02	Resolution Constitutes Contract	56
Section 11.03	Severability of Invalid Provisions	56
Section 11.04	Headings, Etc.	56
Section 11.05	Conflicting Provisions	56
Section 11.06	Covenant of Due Procedure, Etc.	56
Section 11.07	Effective Date	57

EXHIBIT A -- Description of Project
EXHIBIT B -- Loan Agreement
EXHIBIT C -- Schedule of Rates

$267,000 NORTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BONDS, 1993 SERIES A

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I - STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS		
Section 1.01	Authority for this Resolution	1
Section 1.02	Definitions	1
Section 1.03	Resolution Constitutes Contract	11
Section 1.04	Findings	12
ARTICLE II - AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT		
Section 2.01	Authorization of Construction and Acquisition of the Project	14
ARTICLE III - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT		
Section 3.01	Authorization of Bonds	15
Section 3.02	[Reserved]	16
Section 3.03	Additional Terms of Bonds	16
Section 3.04	Execution of Bonds	16
Section 3.05	Authentication and Registration	16
Section 3.06	Negotiability, Transfer and Registration	17
Section 3.07	Bonds Mutilated, Destroyed, Stolen or Lost	17
Section 3.08	Bonds not to be Indebtedness of the Issuer	18
Section 3.09	Bonds Secured by Pledge of Net Revenues	18

Subject		Page
Section 3.10	Form of Original Bonds	18
FORM OF 1993 SERIES A BOND		20
Section 3.11	Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority	26
Section 3.12	Original Bonds are Issued as Parity Bonds	26
Section 3.13	Certificate of Consulting Engineers	26
ARTICLE IV - [RESERVED]		26
ARTICLE V - SYSTEM REVENUES AND APPLICATION THEREOF		
Section 5.01	Establishment of Funds and Accounts with Depository Bank	26
Section 5.02	Establishment of Funds and Accounts with Commission	27
Section 5.03	System Revenues; Flow of Funds	27
Section 5.04	Excess Bond Proceeds	30
ARTICLE VI - APPLICATION OF ORIGINAL BOND PROCEEDS FUNDS AND ACCOUNTS		
Section 6.01	Application of Original Bond Proceeds	30
Section 6.02	Disbursements from the Bond Construction Trust Fund	31
ARTICLE VII - ADDITIONAL COVENANTS OF THE ISSUER		
Section 7.01	General Covenants of the Issuer	32
Section 7.02	Bonds, Not to be Indebtedness of the Issuer	32
Section 7.03	Bonds Secured by Pledge of Net Revenues	32
Section 7.04	Rates	33
Section 7.05	Completion, Operation and Maintenance Schedule of Cost	33

Subject		Page
Section 7.06	Sale of the System	34
Section 7.07	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	35
Section 7.08	Parity Bonds	36
Section 7.09	Insurance and Construction Bonds	38
Section 7.10	Consulting Engineers	39
Section 7.11	Compliance with Loan Agreement	40
Section 7.12	No Free Services	40
Section 7.13	Enforcement of Collections	40
Section 7.14	No Competing Franchise	41
Section 7.15	Books, Records and Facilities	41
Section 7.16	Operating Budget	43
Section 7.17	Mandatory Connection	43
Section 7.18	Compliance with Loan Agreement	44
Section 7.19	Tax Covenants	44
Section 7.20	Statutory Mortgage Lien	46
ARTICLE VIII - INVESTMENT OF FUNDS; NON ARBITRAGE		
Section 8.01	Investments	46
Section 8.02	Arbitrage	47
Section 8.03	Rebate of Excess Investment Earnings to the United States	47
Section 8.04	Restriction of Yield and Bond Proceeds	51
ARTICLE IX - DEFAULT AND REMEDIES		
Section 9.01	Events of Default	51
Section 9.02	Remedies	51
Section 9.03	Appointment of Receiver	52
ARTICLE X - DEFEASANCE		
Section 10.01	Defeasance of Bonds	53
ARTICLE XI - MISCELLANEOUS		
Section 11.01	Amendment or Modification of Resolution	54
Section 11.02	Resolution Constitutes Contract	55
Section 11.03	Severability of Invalid Provisions	55
Section 11.04	Headings, Etc.	55
Section 11.05	Conflicting Provisions	55
Section 11.06	Covenant of Due Procedure, Etc.	55
Section 11.07	Effective Date	55

Subject Page

EXHIBIT A -- Description of Project
EXHIBIT B -- Loan Agreement
EXHIBIT C -- Schedule of Rates

NORTH PUTNAM PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF NORTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $267,000 IN AGGREGATE PRINCIPAL AMOUNT OF NORTH PUTNAM PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, 1993 SERIES A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF NORTH PUTNAM PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.02. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

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

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

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

"Bank" means the bank to be set forth in a resolution supplemental hereto.

"Board" means the public service board of the Issuer and shall include the membership of the Board as may hereafter be duly constituted as the legal successors to the present membership or any other authority vested with and authorized to exercise the powers of the Issuer.

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

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

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

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

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

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

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated pursuant thereto or any predecessors or successors thereto.

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

"Construction Trust Fund" means the Construction Trust Fund established by Section 5.02.

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

"Costs" or "Costs of the Project" or any similar phrase means those costs described in Section 1.04I hereof to be a part of the cost of construction and acquisition of the Project.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the 1993 Series A Bonds, as hereinafter defined, during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DEP" means the West Virginia Division of Environmental Protection.

"Depository Bank" means a bank eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, which Depository Bank shall be named in the Supplemental Resolution, and any successor thereto.

"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 Bonds are invested [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings], over

(ii) The amount that would have been earned if the Yield on such Nonpurpose Investments [other than amounts attributable to an excess described in this clause (A) of this definition of Excess Investment Earnings] had been equal to the Yield on the Bonds, plus

(B) Any income attributable to the excess described in clause (A) of this definition of Excess Investment Earnings.

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

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

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

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

"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 Bonds, excluding original proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(ii) Investment proceeds, namely, amounts received at any time by or for the Issuer, such as interest and dividends, resulting from the

investment of any original proceeds (as referenced in clause (i) above) or investment proceeds (as referenced in this clause (ii)) in Nonpurpose Investments, increased by any profits and decreased (if necessary, below zero) by any losses on such investments, excluding investment proceeds which become transferred proceeds (determined in accordance with applicable Regulations) of obligations issued to refund in whole or in part the Bonds;

(iii) Transferred proceeds, namely, original proceeds of any prior obligations, and interest earnings and profits less losses resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any prior obligations and which are deemed to become proceeds of the Bonds ratably as original proceeds of the Bonds, and interest earnings and profits resulting from investment of such original proceeds in Nonpurpose Investments, which are used to discharge the outstanding principal of any such prior obligations, all on the date of such ratable discharge;

(iv) Sinking fund proceeds, namely, amounts, other than original proceeds, investment proceeds or transferred proceeds [as referenced in clauses (i) through (iii) above] of the Bonds, which are held in any fund to the extent that the Issuer reasonably expects to se such other fund to pay Debt Service;

(v) Amounts in the Reserve Account 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 Bonds by the Issuer;

(vii) Amounts, other than as specified in this definition, used to pay Debt Service on the Bonds; and

(viii) Amounts received as a result of investing amounts described in this definition.

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

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under Section 103 of the Code for federal income tax purposes.

"Issuer" means the North Putnam Public Service District, a public corporation and political subdivision of the State, formerly known as East Kanawha Public Service District.

"Loan Agreement" means the Water Pollution Control Revolving Fund Loan Agreement by and among the Authority, the DEP and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority, the form of which is attached as Exhibit B hereto and incorporated herein by reference.

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

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

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

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

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases shall mean the not more then $267,000 in aggregate principal amount of Sewer Revenue Bonds, Series 1993 A issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto.

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

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof.

"Paying Agent" means the Commission.

"Prior Bonds" means the District's Sewer Revenue Bonds, dated October 23, 1975, issued in the original principal amount of $605,000 and currently outstanding in the principal amount of $487,488.07.

"Prior Resolution" means the resolution passed by the Board of the Issuer on October 23, 1975 as thereafter amended or supplemented with respect to 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" shall mean the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by the DEP.

"Project" shall mean the wastewater treatment facility project described in Exhibit A attached hereto, constituting extensions, additions, betterments and improvements to the existing combined waterworks and sewerage system of the Town.

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

"PSC Order" means the recommended decision of the PSC in Case No. 91-721-PSD-CN which was entered by the Administrative Law Judge on June 22, 1992, and which with certain amendments was issued as the final Commission order on July 12, 1992.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) Advance-Refunded Municipal Bonds.

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

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

"Reserve Account" means the account in the Sinking Fund, as hereafter defined, created by Section 5.02(1)(a) hereof.

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

"Resolution" shall mean the Prior Resolution, as supplemented by this Resolution and as further amended or supplemented. Unless the context clearly requires a different meaning, reference to "this Resolution" in the Prior Resolution shall mean the Prior Resolution.

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

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

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

"Sinking Fund" means the Sinking Fund established by Section 5.02(1) hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution 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 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect the Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by this Resolution to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including but not limited to the Renewal and Replacement Fund, the Reserve Account and Sinking Fund, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereof, the wastewater treatment facility, hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without said Issuer.

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

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Bonds, produces an amount equal to the Purchase Price of such Nonpurpose Investment or the Bonds, all computed as prescribed in applicable Regulations.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Resolution; and the term "hereafter" means after the date of adoption of this Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Resolution so numbered.

Section 1.03. Resolution Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders and the covenants and agreements herein set forth to be performed by the Issuer shall be

for the benefit, protection and security of the Registered Owners of any and all such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Findings. It is hereby found, determined and declared as follows:

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

B. The Issuer presently owns and operates a sewage treatment plant or plants and some or all of collecting, intercepting and outlet sewers, lateral sewers, drains, force mains, conduits, pumping stations, ejector stations and all other appurtenances, extensions, additions and improvements necessary, appropriate, useful, convenient or incidental for the collection, treatment and disposal in a sanitary manner of sewage and industrial wastes (herein referred to as the "System").

C. The acquisition and construction of the System was financed with the proceeds from $605,000 in principal amount of the Issuer's Sewer Revenue Bonds dated October 23, 1975, authorized pursuant to the Prior Resolution.

D. The Prior Bonds of the Issuer are currently Outstanding in the principal amount of $487,488.07.

E. The Issuer derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

F. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain improvements and extensions to the existing System of the District, consisting of the Project, at an estimated cost of $271,900, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer, and which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof and has an estimated useful life in excess of twenty (20) years.

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bonds and all sinking fund, reserve account and other payments provided for herein, in the Supplemental Resolution and in the PSC

Order, and the principal of and interest on and debt service requirements for the Prior Bonds.

H. The estimated maximum cost of the construction and acquisition of the Project is $271,900, of which $267,000 will be permanently obtained from the Bonds herein authorized and $4,900 from a grant from DEP. The District may obtain such grants and contributions from other sources as may be necessary to pay Costs.

I. It is deemed necessary for the Issuer to issue its revenue bonds in the total aggregate principal amount of not more than $267,000 to permanently finance a portion of the cost of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest on the Original Bonds prior to and during construction or acquisition and for six months after completion of construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering, fiscal agents and legal expenses; expenses for estimates of cost and revenue; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense, any fees or expenses of the Authority or DEP and any defaulted interest thereon, commitment fees, discount, initial fees for the service of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Original Bonds, and such other expenses as may be necessary or incidental to the financing herein authorized, the construction or acquisition of the Project and the placing of the same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Original Bonds or the repayment of the indebtedness incurred by the Issuer for such purposes shall be deemed part of the Cost of the Project.

J. The period of usefulness of the System after completion of the Project is not less than 20 years.

K. It is in the best interests of the Issuer that the Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement. The Issuer has received written consent from the owner of the Prior Bonds, to issue the Bonds on a parity with the lien of the Prior Bonds.

L. The Issuer has received a certificate from an independent certified public accountant that it meets the parity test established in the Prior Resolution. The Original Bonds shall be issued with a lien on the Net Revenues on a parity with the lien held by the registered owners of the Prior Bonds.

M. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the construction, acquisition and operation of the Project and the System and the issuance of the Bonds, or will have so complied prior to issuance of any Bonds, including, among other things and without limitation, the obtaining of the PSC Order, the time for rehearing and appeal of which expired.

N. The Issuer will not permit, at any time, any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code.

O. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds.

P. The Bonds will not be federally guaranteed within the meaning of the Code.

Q. It is reasonably anticipated that all proceeds of the Original Bonds will be spent within two years from the date of issuance.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION AND ACQUISITION OF THE PROJECT

Section 2.01. Authorization of Construction and Acquisition of the Project. There is hereby authorized the acquisition and construction of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying the costs, not otherwise provided, of the construction and acquisition of the Project, funding a reserve account for the Bonds, and paying certain costs of issuance and related costs, or any of such purposes as shall be specified in the Supplemental

Resolution, there shall be issued negotiable bonds of the Issuer in an aggregate principal amount of not more than $267,000. Said Bonds shall be issued as one bond to be designated "North Putnam Public Service District Sewer Revenue Bonds, 1993 Series A". The Original Bonds shall be dated as of the date of delivery thereof, shall bear such interest, shall mature at such times, not exceeding twenty-one (21) years after the date of issuance, and in such amount as shall be set out in Schedule X to the Loan Agreement and the Supplemental Resolution. The Original Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Original Bonds shall be as set forth on Schedule Y to the Loan Agreement. The Original Bonds shall contain such other terms, provisions, conditions and limitations, all as provided by this Resolution and the Loan Agreement and as the Governing Board of the Issuer shall prescribe by resolution (or by supplemental or amendatory Resolution of said Governing Board as said Governing Board shall determine) adopted in connection with the sale of such Original Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Original Bonds may be paid by wire transfer or other methods satisfactory to the Issuer, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a payment record attached, representing the aggregate principal amount, and shall mature in principal installments, all as provided in the Loan Agreement and said Supplemental Resolution. Bonds shall be exchangeable at the option and expense of the Bondholder for other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued in fully registered form, in the denomination of $5,000 or any integral

multiple thereof, all as determined by a Supplemental Resolution. Said Bonds shall be dated as of the date specified in said Supplemental Resolution and shall bear interest from such date.

Section 3.02. [Reserved]

Section 3.03. Additional Terms of Bonds. In addition to the terms set forth in Section 3.01 hereof and in anticipation of the sale of the Bonds to the Authority, the District covenants that the Bonds shall comply in all respects with the provisions of the Loan Agreement and of any resolution of the Authority and/or DEP.

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

Section 3.05. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10, shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Resolution. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.06. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of

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

So long as any of the Bonds remain Outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing proof of its ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute

Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

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

Section 3.09. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Original Bonds shall be secured forthwith equally and ratably with each other and the Prior Bonds by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and the Prior Bonds and to make the payments into the sinking funds and the reserve accounts therein and in the Renewal and Replacement Fund hereinafter established and as established in the Prior Resolution, are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds and the Prior Bonds as the same become due.

Section 3.10. Form of Original Bonds. The text of the Original 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.

[This space intentionally left blank]

[Form of 1993 Series A Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTH PUTNAM PUBLIC SERVICE DISTRICT
SEWER REVENUE BOND, 1993 SERIES A

No. AR___ $267,000

KNOW ALL MEN BY THESE PRESENTS: That NORTH PUTNAM PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Putnam 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 Sixty-Seven Thousand Dollars ($267,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in installments on the 1st day of March, the 1st day of June, the 1st day of September and the 1st day of December in each year beginning _____ 1, 1993, as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit B.

Interest on such advances on this Bond shall be zero (0%) percent. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the Paying Agent. The interest on this Bond is payable by check or draft mailed to the Payee at the address as it appears on the books of the Registrar on the 15th day of the month preceding an interest payment date or by such other method as shall be mutually agreeable so long as the Authority is 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 DEP and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement dated February 16, 1993, among the Authority, the DEP and the Issuer.

This Bond is issued (i) to pay costs of acquisition and construction of a wastewater treatment facility constituting improvements, additions, extensions and betterments to the existing system of the Issuer (the "Project"), and (ii) to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A of the Code of West Virginia, 1931, as amended (the "Act"), a Resolution duly enacted by the Issuer on the 16th day of March, 1993, and a Supplemental Resolution adopted by the Issuer on the 16th day of March, 1993 (collectively called the "Resolution"), and is subject to all the terms and conditions thereof. The Resolution provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Resolution.

This Bond ranks equally as to lien and security with the Prior Bonds, as defined in the Resolution.

This Bond is payable only from and secured by a pledge of a first lien on the Net Revenues as defined in the Resolution, on a parity with the lien of the Prior Bonds, to be derived from the operation of the System, moneys in the Reserve Account created under the Resolution and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest thereon except from said special fund provided from the Net Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Resolution, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any ensuing fiscal year of principal of and interest on all obligations on a parity with or prior to the Bonds, payable from such revenues, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on the Bonds and any bonds on a parity therewith in any succeeding fiscal year and in the reserve account for the Prior Bonds, an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of

which reference is made to the Resolution. Remedies provided the registered owners of the Bonds are exclusively as provided in the Resolution, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, NORTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Bond to be signed by its Chairman and its

corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Bond to be dated March 30, 1993.

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the 1993 Series A Bonds described in the within-mentioned Resolution and has been duly registered in the name of the Registered Owner set forth above, as of the date set forth below.

Date: March 30, 1993

_____
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

Amount	Date	Amount	Date
(1) $		(7) $	
(2) $		(8) $	
(3) $		(9) $	
(4) $		(10) $	
(5) $		(11) $	
(6) $		(12) $	

Total $_____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

Form of Assignment

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.11. Sale of Original Bonds; Ratification and Execution of Loan Agreement with Authority and DEP. The Bonds shall be sold to the Authority pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.12. Original Bonds are Issued as Parity Bonds. The Original Bonds are issued as and shall constitute Parity Bonds in accordance with the Prior Resolution. Prior to the issuance of the Original Bonds, the Issuer must receive the written approval of the owner of the Prior Bonds.

Section 3.13. Certificate of Consulting Engineers. Prior to the issuance of the Original Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the DEP and the Authority, the Project is adequate for the purposes for which it was designed, and the funding plan as submitted to the DEP and the Authority is sufficient to pay the costs of acquisition and construction of the Project.

ARTICLE IV

[Reserved]

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts were either established by the Prior Resolution or are created hereby and shall be held by the Depository Bank:

(1) Revenue Fund (when the Prior Bonds are no longer Outstanding);

(2) Operation and Maintenance Fund (when the Prior Bonds are no longer Outstanding);

(3) Renewal and Replacement Fund;

(4) Bond Construction Trust Fund; and

(5) Rebate Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Sinking Fund;

(a) Within the Sinking Fund, the Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. As long as the Prior Bonds are outstanding, the entire Gross Revenues shall be deposited pursuant to the terms of the Prior Resolution. When the Prior Bonds are no longer Outstanding, the entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Resolution and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner therein and herein provided.

(1) The Issuer shall, each month, transfer from the Revenue Fund and deposit in the Operation and Maintenance Fund an amount sufficient to pay current Operating Expenses of the System.

(2) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and pay the amounts required by the Prior Resolution to be deposited in the Prior Bonds Sinking Fund for payment of the principal of and interest on the Prior Bonds, and (i) simultaneously therewith, commencing 4 months prior to the first date of payment of interest on the Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on said Bonds on the next ensuing quarterly interest payment date; provided, that, in the event the period to elapse between the date of such initial deposit in the Bonds Sinking Fund and the next quarterly interest payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly interest payment date, the required amount of interest coming due on such date, and (ii) on the first day of each month, commencing 4 months prior to the first date of payment of principal on the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Bonds on the next ensuing quarterly principal payment date; provided that, in the event the

period to elapse between the date of such initial deposit in the Bonds Sinking Fund and the next quarterly principal payment date is less than 4 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance check to the Authority by the 5th day of such calendar month.

(3) The Issuer shall next transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Resolution to be deposited in the Prior Bonds Reserve Account and on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Bonds, if not fully funded upon issuance of the Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account, an amount equal to 1/120 of the Reserve Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement.

(4) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Renewal and Replacement Fund a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the reserve account established with respect to the Prior Bonds or in the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. Except for the funds required to be deposited in the Rebate Fund, all investment earnings on moneys in

the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Project and thereafter, to the Sinking Fund.

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

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

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

The payments into the Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Resolution.

Moneys in the Reserve Account shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

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

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Fund, including the Reserve Account therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus

revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges then due. The Issuer shall also remit from the Revenue Fund to the Authority, on such dates as the Authority and the DEP shall require, the Issuer's allocable share of reasonable administrative expenses of the Authority relating to the Program, if any.

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

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

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

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

Section 5.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Original Bonds not required by the Project in the Reserve Account.

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS, FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. The amount of the proceeds which together with the earnings thereon shall be at least sufficient to pay interest on the Original Bonds for the period specified in the Supplemental

Resolution shall be deposited in the Sinking Fund; provided, that such period may not extend beyond the date which is six months after the estimated date of completion of construction of the Project.

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

C. The remaining moneys derived from the sale of the Original Bonds shall be deposited by the Issuer as received from time to time in the Bond Construction Trust Fund hereinafter established.

D. There is hereby created and established with the Depository Bank a special fund, designated the "Bond Construction Trust Fund". The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in this Resolution. Except with respect to any transfers to the Rebate Fund, moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and DEP a report listing the specific purposes for which the proceeds of the Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund shall be made only after submission to, and approval from, the Authority and the DEP of the following:

(1) A "Payment Requisition Form," attached to the Loan Agreement as Exhibit C, and

(2) A certificate, signed by the Chairman and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursements theretofore made;

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

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Resolution. No Holder or Holders of any Bonds shall ever have the right to compel

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

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Original Bonds issued hereunder shall be secured forthwith equally and ratably with the Prior Bonds by a first lien on the Net Revenues derived from the operation of the System. The revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the payments into the respective Sinking Fund, including the Reserve Account therein, and all other payments provided for in this Resolution and the Prior Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds and the Prior Bonds as the same become due, and for the other purposes provided in the Resolution.

Section 7.04. Rates. Prior to issuance of the Original Bonds, equitable rates or charges for the use of and service rendered by the System will be established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder and under the Prior Resolutions. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least 115% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Prior Bonds and the Bonds; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account and the reserve account for the Prior Bonds is funded at least at the requirement provided for in the Prior Resolutions, respectively, such balance each Fiscal Year need only equal at least 110% of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Original Bonds and the Prior Bonds.

Section 7.05. Completion, Operation and Maintenance; Schedule of Cost. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Resolution.

Upon completion of the Project, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the Program loan application, setting forth the actual costs of the Project and sources of funds therefor.

Section 7.06. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully or redeem at or prior to maturity all the Prior Bonds and the Bonds Outstanding, or to effectively defease this Resolution in accordance with Sections 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Commission for deposit in the appropriate Sinking Funds, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds about to mature and to the redemption prior to maturity at the earliest date permitted hereby and at the redemption price, of all other Outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall, upon receipt of approval of the Registered Owners, if needed, be remitted by the Issuer to the Commission for deposit in the appropriate Sinking Fund and shall be applied only to the purchase or redemption of Bonds of the last maturities then Outstanding at prices not greater than the applicable redemption price, or, if not redeemable, par, or otherwise in the Renewal and Replacement Fund. The payment of such proceeds into the Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Resolution.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay or redeem prior to maturity all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (66 2/3%) in amount of the Prior Bonds and the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Prior Bonds and the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. So long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that Parity Bonds may be issued as provided for in Section 7.08 hereof. All obligations hereafter issued by the Issuer payable from the revenues of the System, except such Parity Bonds, shall contain an express statement that such obligations are junior and prior, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such prior obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such prior obligations have been made and are current.

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

Section 7.08. Parity Bonds. A. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Amendatory Resolution, except under the conditions and in the manner herein provided.

No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Secretary a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The Prior Bonds;

(2) The Original Bonds then Outstanding;

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

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

The "estimated average increased annual net revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Issuer, the time for appeal of which shall have expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which

shall be filed in the office of the Secretary prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineers and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate acquisition or construction of such extensions, additions, betterments or improvements to the System which are to be financed by such Parity Bonds.

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Outstanding Prior Bonds and the Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Bonds.

No Parity Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Amendatory Resolution and the Prior Resolution on account of the Prior Bonds and the Bonds then

Outstanding, and any other payments provided for in this Amendatory Resolution or the Prior Resolution, shall have been made in full as required to the date of delivery of the Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Amendatory Resolution.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and anything to the contrary in this Section 7.08 notwithstanding, Parity Bonds may be authorized and issued by the Issuer pursuant to Supplemental Resolution solely to complete the Project as described in the Issuer's Program application to the Authority and DEP in accordance with the plans and specifications, in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Secretary a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

Section 7.09. Insurance and Construction Bonds. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and the DEP, so long as the Authority is the Owner of the Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, to protect the interests of the

Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be disposed of as provided in the Resolution and otherwise shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

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

Section 7.10. Consulting Engineers. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers. Such resident engineer shall certify to the Authority, the DEP and the Issuer at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a Performance Certificate, the form of which is attached as Exhibit A to the Loan Agreement, and is incorporated herein by reference, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed. The Issuer agrees that it will at all times provide operation and

maintenance of the System to comply with any and all State and federal standards. The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

Section 7.11. Compliance With Loan Agreement, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 7.12. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or himself or herself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State of West Virginia. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. The

Issuer further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off both the water and sewerage services and facilities of the System to all delinquent users of the services and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, and will not restore either water or sewerage services of the System until all delinquent charges for the service and facilities of the System, or of the waterworks system or sewerage system constituting a part thereof, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.15. Books, Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the DEP, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the DEP such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the Loan Agreement or Grant Receipts or other sources of financing for the Project.

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

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

The accounting system for the System shall follow currently accepted accounting practices in accordance with the rules and regulations of the PSC and the Act. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books, and along with other bookkeeping records as prescribed by the Issuer. The Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Issuer shall be reported to such agent of the Issuer as the Council shall direct.

The Issuer shall file with the Consulting Engineers and the Authority and DEP, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any owner or owners of Bonds issued pursuant to this Resolution, and shall submit said report to the Authority and the DEP. The report of said audit shall include a statement that the Issuer is in compliance with the terms and provisions of the Act and the Loan Agreement and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

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

The Issuer shall, during construction of the Project, complete Payment Requisition Forms, the form of which is attached to the Loan Agreement as Exhibit C and is incorporated herein by reference, and forward a copy to the DEP in compliance with the Issuer's construction schedule.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

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

Section 7.16. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the DEP within thirty days of the adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Section 7.17. Mandatory Connection. The mandatory use of the sewerage facilities portion of the System is essential and necessary to protect and preserve the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the sewerage facilities portion of the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matter from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the sewerage facilities portion of the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the sewerage facilities portion of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the sewerage facilities portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.18. Compliance with Loan Agreement. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with copies of all documents submitted to the Authority.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from

the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

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

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

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

F. TWO YEAR CONSTRUCTION ELECTION. The Issuer will expend the gross proceeds of the Bonds for the Project no later than the day which is two years after the date of issuance of the Bonds. The Issuer will expend the net proceeds (including, without limitation, investment proceeds earned before the close of the period involved on the investment of the proceeds of the Bonds) of the Bonds for the Project within the following periods beginning on the date of issuance of the Bonds:

Not less than 10 percent within 6 months;

Not less than 45 percent within 1 year;

Not less than 75 percent within 18 months; and

Not less than 100 percent within 2 years;

(except for a reasonable retainage not exceeding 5% of the net proceeds of the Bonds which will be spent within 3 years). The Issuer hereby elects the application of Section 148(f)(4)(B)(iv)(V) of the Code to the Bonds and has agreed to pay a penalty with respect to the close of each 6-month period after the date the Bonds are issued equal to 1-1/2 percent of the amount of the net proceeds of the Bonds which, as of the close of such period, are not spent as set forth in this paragraph. At least 75% of the net proceeds of the Bonds are to be used for construction expenditures with respect to property owned by the Issuer, and the Project will be owned by the Issuer.

G. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Authority) so that the interest on the Bonds will be and remain excludible from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Authority) which would adversely affect such exclusion.

Section 7.20. Statutory Mortgage Lien. For the further protection of the Bondholders, 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 on a parity with the lien of the Prior Bonds, and shall take effect immediately upon delivery of the Bonds and shall be for the benefit of all Owners of the Bonds.

Section 7.21. Compliance. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the DEP or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

ARTICLE VIII

INVESTMENT OF FUNDS; NON-ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Resolution, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank or such other bank or national banking association holding such fund or account, as the case may be, at the direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Resolution, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01 and in Sections 8.02 and 8.03.

Except as specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank or such other bank or national banking association, as the case may be, shall sell and reduce to cash a

sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

Section 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "arbitrage bonds" under Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return) with respect to the Bonds so that the interest on the Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Rebate of Excess Investment Earnings to the United States. A. CREATION OF FUNDS. There are hereby created, to be held by the Depository Bank as separate funds distinct from all other funds and accounts held by the Depository Bank under this Resolution, the Earnings Fund and the Rebate Fund. All interest earnings and profits on amounts in all funds and accounts established under this Resolution on account of the Bonds other than (i) interest earnings and profits on any funds referenced in Subsection C(5) of this Section if such earnings in any Bond Year are less than $100,000, (ii) interest earnings and profits on amounts in funds and accounts which do not constitute Gross Proceeds, and (iii) interest earnings and profits on the Rebate Fund shall, upon receipt by the Depository Bank, be deposited in the Earnings Fund. In addition, all interest earnings and profits on Gross Proceeds in funds held by the Issuer shall, upon receipt, be paid to the Depository Bank for deposit in the Earnings Fund. Annually, on or before the 30th day following the end of each Bond Year or on the preceding business day in the event that such last day is not a business day, or such earlier date as may be required under the Code or the Loan Agreement, the Depository Bank shall transfer from the Earnings Fund to the Rebate Fund for purposes of ultimate payment to the United States an amount equal to Excess Investment Earnings, all as more particularly described in this Section. Following the transfer referenced in the preceding sentence, the Depository Bank shall transfer all amounts remaining in the Earnings Fund to the Construction Trust Fund until completion of the Project, and thereafter to the Revenue Fund.

B. DUTIES OF ISSUER IN GENERAL. The Issuer shall calculate Excess Investment Earnings in accordance with Subsection C and shall assure payment of an amount equal to Excess Investment Earnings to the United States in accordance with Subsections D and E.

C. CALCULATION OF EXCESS INVESTMENT EARNINGS. Within 15 days following the last day of the first Bond Year, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the Excess Investment Earnings referenced in clause (A) of the definition of Excess Investment Earnings. Thereafter, within 15 days following the last day of each Bond Year and within 15 days following the date of the retirement of the Bonds, the Issuer shall calculate, and shall provide written notice to the Authority and Depository Bank of, the amount of Excess Investment Earnings. Said calculations shall be made or caused to be made by the Issuer in accordance with the following:

(1) Except as provided in (2), in determining the amount described in clause (A)(i) of the definition of Excess Investment Earnings, the aggregate amount earned on Nonpurpose Investments shall include (i) all income realized under federal income tax accounting principles (whether or not the person earning such income is subject to federal income tax) with respect to such Nonpurpose Investments and with respect to the reinvestment of investment receipts from such Nonpurpose Investments (without regard to the transaction costs incurred in acquiring, carrying, selling or redeeming such Nonpurpose Investments), including, but not limited to, gain or loss realized on the disposition of such Nonpurpose Investments (without regard to when such gains are taken into account under Section 453 of the Code relating to taxable year of inclusion of gross income), and income under Section 1272 of the Code (relating to original issue discount) and (ii) any unrealized gain or loss as of the date of retirement of the Bonds in the event that any Nonpurpose Investment is retained after such date.

(2) In determining the amount described in clause (A) of the definition of Excess Investment Earnings, Investment Property shall be treated as acquired for its fair market value at the time it becomes a Nonpurpose Investment, so that gain or loss on the

disposition of such Investment Property shall be computed with reference to such fair market value as its adjusted basis.

(3) In determining the amount described in clause (A)(ii) of the definition of Excess Investment Earnings, the Yield on the Bonds shall be determined based on the actual Yield of the Bonds during the period between the Closing Date for the Bonds and the date the computation is made (with adjustments for original issue discount or premium).

(4) In determining the amount described in clause (B) of the definition of Excess Investment Earnings, all income attributable to the excess described in clause (A) of said definition must be taken into account, whether or not that income exceeds the Yield of the Bonds, and no amount may be treated as "negative arbitrage."

(5) In determining the amount of Excess Investment Earnings, there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Debt Service within each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of 1 year's earnings on such fund or account or 1/12th of annual Debt Service as well as amounts earned on said earnings if the gross earnings on such fund or account for the Bond Year is less than $100,000.

D. PAYMENT TO THE UNTIED STATES. The Issuer shall direct the Depository Bank to pay from the Rebate Fund an amount equal to Excess Investment Earnings to the United States in installments with the first payment to be made not later than 30 days after the end of the 5th Bond Year and with subsequent payments to be made not later than 5 years after the preceding payment was due. The Issuer shall assure that each such installment is in an amount equal to at least 90% of the Excess Investment Earnings with respect to the Gross Proceeds as of the close if the computation period. Not later than 60 days after the retirement of the Bonds, the Issuer shall direct the Depository Bank to pay from the Rebate Fund to the United States 100% of the theretofore unpaid Excess Investment Earnings in the Rebate Fund. In the event that there are any amounts remaining in the Rebate Fund following the payment required by the preceding sentence, the

Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required by this Subsection D, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor.

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 Original Bonds from gross income for federal income tax purposes.

E. FURTHER OBLIGATIONS OF ISSUER. The Issuer shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section. To that end the Issuer shall assure that investment transactions are on an arm's length basis and the Nonpurpose Investments are acquired at their fair market value. In the event that Nonpurpose Investments consist of certificates of deposit or investment contracts, investment in such Nonpurpose Investments shall be made in accordance with the procedures described in applicable Regulations as from time to time in effect. The Depository Bank shall keep the moneys in the Earnings Fund and Rebate Fund invested and reinvested to the fullest extent practicable in Government Obligations with maturities consonant with the required use thereof and investment profits and earnings shall be credited to the account of such fund on which earned.

F. MAINTENANCE OF RECORDS. The Issuer shall keep, and retain for a period of 6 years following the retirement of the Bonds, records of the determinations made pursuant to this Section 8.03.

G. INDEPENDENT CONSULTANTS. In order to provide for the administration of this Section 8.03, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate.

H. FURTHER AGREEMENT. Notwithstanding the foregoing, the Issuer further covenants to comply with all Regulations from time to time in effect and applicable to the Bonds, as may be

necessary in order to fully comply with Section 148(f) of the Code.

I. REPORTING TO AUTHORITY. The Issuer shall furnish to the Authority and DEP, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority or DEP.

J. AMENDMENTS TO THIS SECTION. Notwithstanding any of the provisions herein to the contrary, the Issuer agrees to amend the provisions of this Section from time to time at the direction of the Authority in order to insure continuing compliance with Section 8.02 hereof.

Section 8.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of 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 Bonds:

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

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

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

(4) An "Event of Default" as defined in the Prior Resolution.

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

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under this Resolution and the Act, including the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any default in the payment of interest on any Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in the Resolution other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Issuer of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and any interest thereon, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of the Resolution and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Resolution for Reserve, Sinking or other funds and upon any other obligations and interest

thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of Net Revenues and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to the

Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, the principal installments of and interest on the Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its 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 the 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 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Resolution. No material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of sixty-six and two-thirds percent (66 2/3%) or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity

of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the revenues of the System without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Resolution may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludibility of interest on the Bonds and the Notes from the gross income of the Holders thereof.

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

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

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

Section 11.05. Conflicting Provisions. All orders or resolutions and parts thereof in conflict with the provisions of this Resolution, except the Prior Resolution, are, to the extent of such conflict, hereby repealed.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Resolution shall take effect immediately upon adoption.

Adopted this 16th day of March, 1993.

NORTH PUTNAM PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified as a true copy of a Resolution adopted by the Public Service Board of North Putnam Public Service District on the 16th day of March, 1993.

Dated: March 30, 1993.

[SEAL]

Patricia A Babcock
Secretary, Public Service Board

EXHIBIT A

DESCRIPTION OF PROJECT

Renovation of three pumping stations, construction of a sludge drying bed cover, installation of a self-cleaning bar screen, chlorinator clarifier drives, froth control unit, washwater pump, emergency generator, lab heating system, flow monitor and other items incidental to construction.

EXHIBIT B

SRF-LP-1
(August 1992)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Department of Commerce, Labor and Environmental Resources (the "DEP"), and the local government designated below (the "Local Government").

North Putnam Public Service District
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the construction, acquisition and improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of wastewater treatment projects by

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

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

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

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

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

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

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

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

1.11 "System" means the wastewater treatment facility owned by the Local Government, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

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

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

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

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, DEP and the

ARTICLE III

Conditions to Loan;
Issuance of Local Bonds

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

(a) The Local Government shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

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

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

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

(f) The Local Government shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local

Authority, and in furtherance thereof it is agreed that the Local Government shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

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

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

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

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

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the net revenues from the System;

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

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

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other deposition shall be sufficient to fully pay all of the local bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

(v) That the Local Government shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by

prospective users of the System shall be required to connect thereto;

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

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

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

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

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

ARTICLE V

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

5.1 The Local Government hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Local Government hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

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

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

5.4 The Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default

Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

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

6.7 The Local Government hereby agrees to file with the Authority upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Schedule Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

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

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

7.4 No waiver by any party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of

Attest:

Patricia A. Babcock
Its Secretary

Date: February 16, 1993

WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION

By: Hadley E. McCoy
Its: Chief

Date: February 16, 1993

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Yankosky
Its: Director

Attest:

Barbara B. Meadows
Secretary-Treasurer

Date: February 16, 1993

APPROVED AS TO FORM PRIOR TO ACKNOWLEDGEMENT THEREOF, THIS 25th day of August, 1992.

Attorney General
BY: Dawn E. Warfield
DEPUTY ATTORNEY GENERAL

EXHIBIT A

Certificate of Performance
for
Publicly Owned Treatment Works

I. As required by the Clean Water Act under Title VI, Section 602(b)(6), and the Loan Agreement, the Local Government does hereby certify that it has :

a. Provided to the WV DEP written notification of the actual date of initiation of operation. This date of initiation was on the _____ day of _____, 19___.

b. Utilized the services of _____, our prime engineer who either:

_____ Supervised our project construction; and/or

_____ Provided architectural and engineering services during construction.

For a period of twelve (12) months following the initiation of operations, the prime engineer provided the following services:

1) Directed project operation and maintenance; and
2) Trained operating personnel and prepared the required curricula and training materials, and revised the operation and maintenance manual(s); and
3) Advised the Local Government on the status of the project meeting performance standards.

II. The Local Government, having access to and control of all the necessary data, and having monitored the construction of this project, hereby certifies that the project built under this Loan Agreement meets:

a. The specifications for which the project was planned, designed, and built.

b. The effluent limitations contained in its NPDES permit, if applicable.

_____
Local Government Name

_____ _____
Local Government Representative's Name and Title Date

EXHIBIT B

[Form of Monthly Financial Report]

[Name of Local Government]

[Name of Bond Issue]

Fiscal Year - _____

Report Month: _____

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

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

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(TO BE PROVIDED BY DEP FOR EACH PROJECT)

EXHIBIT D

FORM OF CERTIFICATE OF CONSULTING ENGINEER

_____
(Issuer)

_____
(Name of Bonds)

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

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

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

EXHIBIT E

[Special Conditions]

[TO BE PROVIDED BY DEP FOR EACH PROJECT]

NONE

EXHIBIT F

[Monthly Payment Form]

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

Re: [Name of bond issue]

Dear Sirs:

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

Sinking Fund:

Interest $_____

Principal $_____

Total: $_____

Reserve Fund: $_____

Witness my signature this ___ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

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

Gentlemen:

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

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

Year	Installment	Interest Rate

The Local Bonds are issued for the purpose of _____ _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly enacted by the Local Government on _____ (the "Local

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	$ 267,000
Purchase Price of Bonds	$ 267,000

Interest on the Bonds shall be zero percent from the date of delivery to and including August 31, 1993. Principal ~~and interest~~ on the Bonds is payable quarterly, commencing December 1, 1993, at a rate of 0 % per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1 as set forth on Schedule Y attached hereto and incorporated herein by reference. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has ~~[no other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds]~~ or [provide list of outstanding debt].*

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Bond Commission. The Local Government shall instruct the Bond Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal ~~and interest~~ and such Bonds shall grant the Authority a [~~first~~ shared-first] lien on the net revenues of the Local Government's system.

The Local Government may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

*1975 Farmers Home Administration Bond, balance at June 30, 1991, $492,078.
1988 Farmers Home Administration Refinancing, balance at June 30, 1991, $19,138.

SCHEDULE Y

North Putnam PSD, West Virginia
Waste Water Treatment Project

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/1993	-	-	-	-
12/01/1993	3,296.30	-	-	3,296.30
3/01/1994	3,296.30	-	-	3,296.30
6/01/1994	3,296.30	-	-	3,296.30
9/01/1994	3,296.30	-	-	3,296.30
12/01/1994	3,296.30	-	-	3,296.30
3/01/1995	3,296.30	-	-	3,296.30
6/01/1995	3,296.30	-	-	3,296.30
9/01/1995	3,296.30	-	-	3,296.30
12/01/1995	3,296.30	-	-	3,296.30
3/01/1996	3,296.30	-	-	3,296.30
6/01/1996	3,296.30	-	-	3,296.30
9/01/1996	3,296.30	-	-	3,296.30
12/01/1996	3,296.30	-	-	3,296.30
3/01/1997	3,296.30	-	-	3,296.30
6/01/1997	3,296.30	-	-	3,296.30
9/01/1997	3,296.30	-	-	3,296.30
12/01/1997	3,296.30	-	-	3,296.30
3/01/1998	3,296.30	-	-	3,296.30
6/01/1998	3,296.30	-	-	3,296.30
9/01/1998	3,296.30	-	-	3,296.30
12/01/1998	3,296.30	-	-	3,296.30
3/01/1999	3,296.30	-	-	3,296.30
6/01/1999	3,296.30	-	-	3,296.30
9/01/1999	3,296.30	-	-	3,296.30
12/01/1999	3,296.30	-	-	3,296.30
3/01/2000	3,296.30	-	-	3,296.30
6/01/2000	3,296.30	-	-	3,296.30
9/01/2000	3,296.30	-	-	3,296.30
12/01/2000	3,296.30	-	-	3,296.30
3/01/2001	3,296.30	-	-	3,296.30
6/01/2001	3,296.30	-	-	3,296.30
9/01/2001	3,296.30	-	-	3,296.30
12/01/2001	3,296.30	-	-	3,296.30
3/01/2002	3,296.30	-	-	3,296.30
6/01/2002	3,296.30	-	-	3,296.30
9/01/2002	3,296.30	-	-	3,296.30
12/01/2002	3,296.30	-	-	3,296.30
3/01/2003	3,296.30	-	-	3,296.30
6/01/2003	3,296.30	-	-	3,296.30
9/01/2003	3,296.30	-	-	3,296.30
12/01/2003	3,296.30	-	-	3,296.30
3/01/2004	3,296.30	-	-	3,296.30
6/01/2004	3,296.30	-	-	3,296.30
9/01/2004	3,296.30	-	-	3,296.30
12/01/2004	3,296.30	-	-	3,296.30
3/01/2005	3,296.30	-	-	3,296.30
6/01/2005	3,296.30	-	-	3,296.30
9/01/2005	3,296.30	-	-	3,296.30
12/01/2005	3,296.30	-	-	3,296.30

Ferris, Baker Watts, Inc.
Public Finance Department

FILE = NPNM
2/ 5/1993 4:42 PM

EXHIBIT C

NORTH PUTNAM PUBLIC SERVICE DISTRICT
Case No. 91-721-PSD-CN

STAFF RECOMMENDED RATES

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for sanitary sewer service.

(A) RATES - METERED

Customer Charge Per Month (regardless of water consumed)	$4.07
Usage Charge Per Thousand Gallons of water consumed	$6.01

(The metered rate would be the sum of the customer charge and the usage charge).

(A) RATES - UNMETERED

In locations where the customer has no water meter, charges for sewer service shall be a monthly charge of $16.89.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment is not interest and is to be collected only once for each bill where it is appropriate.

SERVICE CONNECTION FEE

$300.00 PER tap.

(a) Indicates advance

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO DATES, MATURITIES, INTEREST RATES, PRINCIPAL PAYMENT SCHEDULES, SALE PRICES, AND OTHER TERMS OF THE NORTH PUTNAM PUBLIC SERVICE DISTRICT SEWER REVENUE BONDS, 1993 SERIES A, DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK, AND CONSTRUCTION TRUST FUND DEPOSITORY BANK; APPROVING LOAN AGREEMENTS WITH RESPECT TO THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board of the North Putnam Public Service District (the "District") has duly and officially adopted a Bond Resolution on March 16, 1993 (the "Resolution"), entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC SEWERAGE FACILITIES OF NORTH PUTNAM PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE OF NOT MORE THAN $267,000 IN AGGREGATE PRINCIPAL AMOUNT OF NORTH PUTNAM PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM REVENUE BONDS, 1993 SERIES A; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SAID BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SAID BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SAID BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Resolution provides for the issuance of the North Putnam Public Service District Sewer Revenue Bonds, 1993 Series A (herein the "1993 Bonds") in aggregate principal amount not to exceed $267,000, all in accordance with Chapter 16, Article 13A, of the Code of West Virginia, 1931, as amended, (the "Act"), and the terms of the Loan Agreement (the "Loan Agreement") entered into among the District, West Virginia Division of Environmental Protection (the "DEP") and the West Virginia Water Development Authority (the "Authority"), but requires that the dates, interest rates, maturities, sale prices and other terms of the 1993 Bonds should be established by a supplemental resolution;

WHEREAS, the 1993 Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Public Service Board (the "Board") of the District deems it essential and desirable that this resolution (the "Supplemental Resolution"), be adopted and that the prices, the maturity dates, the redemption provisions, the interest rates, and the interest and principal dates of the 1993 Bonds be fixed hereby in the manner stated herein; that the Loan Agreement be approved; and that other matters relating to the Bonds be herein provided for.

WHEREAS, capitalized terms not otherwise defined shall have the meanings given such terms in the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE NORTH PUTNAM PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution, the Act, and this Supplemental Resolution, the 1993 Bonds shall be in the aggregate principal amount of $267,000, with the following provisions:

(A) The 1993 Bonds shall be originally issued in the form of a single bond, numbered AR-1, in the principal amount of $267,000. The 1993 Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 0% from the date of delivery to and including the 20 year life of the loan, which principal shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year commencing December 1, 1993, shall be subject to redemption upon the written consent of the Authority and DEP, upon payment of the interest, and subject to the other requirements provided in the Loan Agreement, as long as the Authority shall be the registered owner of the 1993 Bonds.

(B) The 1993 Bonds shall be sold to the Authority in accordance with the terms of the Loan Agreement at a price equal to 100% of the principal amount thereof.

Section 2. All other provisions relating to the Bonds shall be as provided in the Resolution, and the 1993 Bonds shall be in substantially the form provided in the Resolution with such changes, insertions and omissions as may be approved by the Chairman of the District. The execution of the 1993 Bonds by the Chairman shall be conclusive evidence of such approval.

Section 3. The District does hereby ratify, approve and accept the Loan Agreement including the "Schedule X" attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery by the Chairman of the Loan Agreement and the performance of the obligations contained therein, on behalf of the District have been and are hereby authorized, approved and directed.

Section 4. The District hereby appoints and designates The Buffalo Bank, Eleanor, West Virginia, as the Depository Bank, as provided in the Resolution.

Section 5. The District hereby appoints and designates The Buffalo Bank, Eleanor, West Virginia, as Registrar for the Bonds.

Section 6. The District hereby appoints and designates the West Virginia Municipal Bond Commission (the "Commission"), Charleston, West Virginia as Paying Agent for the Bonds.

Section 7. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents and certificates, including the Registrar's Agreement, required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about March 30, 1993.

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

Section 9. The District hereby directs the Depository Bank to initially invest all monies in the funds and accounts established under the Bond Resolution in Qualified Investments further directed by the District.

Section 10. The District elects to have Section 148(f)(4)(B)(iv)(V) of the Code apply to the Bonds and agrees to pay the penalty prescribed under Section 148(f)(4)(B)(iv)(V) of the Code, if necessary.

Section 11. The District shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the District to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The District will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 12. This Supplemental Resolution shall be effective immediately upon adoption.

Dated: March 16, 1993

NORTH PUTNAM PUBLIC SERVICE DISTRICT

Chairman

[SEAL]

Secretary

ABB00C79

CERTIFICATE OF TRUTH AND ACCURACY

I, the undersigned, as Secretary of the North Putnam Public Service District, Putnam County, West Virginia, do hereby certify that the foregoing document is a true and accurate copy of an official record of the North Putnam Public Service District, such records being in the custody of the undersigned and maintained at the offices of the North Putnam Public Service District, Bancroft, Putnam County, West Virginia, and that the action taken by the Board in the foregoing document remains in full force and effect and has not been amended or repealed.

Dated this 30th day of March, 1993.

Patricia A. Babcock
Secretary

[SEAL]

ABB02935

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

Sewer Revenue Bond, Series 1983
and
Bond and Grant Anticipation Notes

BOND AND NOTES RESOLUTION

Table of Contents

Subject		Page
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01.	Authority for This Resolution	1
Section 1.02.	Findings and Determinations	1
Section 1.03.	Resolution to Constitute Contract	3
Section 1.04.	Use of Sewer Facilities Mandatory	3
Section 1.05.	Definitions	4
ARTICLE I A - BOND ANTICIPATION NOTES		
Section 1.01 A.	Authorization and General	10
Section 1.02 A.	Deposit of BAN Proceeds	10
Section 1.03 A.	Security for the BAN	11
Section 1.04 A.	Payment of BAN	11
Section 1.05 A.	BAN Are Limited Obligations	11
Section 1.06 A.	Trustee; BAN Repayment Account	11
Section 1.07 A.	Paying Agents	12
Section 1.08 A.	Covenants	12
Section 1.09 A.	Failure to Issue Bond; BAN Refunding Notes	12
Section 1.10 A.	Events of Default and Enforcement	13
Section 1.11 A.	Defeasance of BAN	13
Section 1.12 A.	Resolution on BAN	14
Section 1.13 A.	Non-Presentment of BAN or Coupons	14
Section 1.14 A.	BAN Multilated, Destroyed, Stolen or Lost	14
Section 1.15 A.	Form of BAN	15
FORM OF BOND ANTICIPATION NOTE		16
CERTIFICATE OF AUTHENTICATION		19
FORM OF BOND ANTICIPATION NOTE COUPON		20
ARTICLE I B - GRANT ANTICIPATION NOTES AND GRANT PROCEEDS		
Section 1.01 B.	Authorization and General	21

Section 1.02 B.	Deposit of GAN Proceeds	21
Section 1.03 B.	Security for the GAN	22
Section 1.04 B.	Payment of GAN; EPA Grant Proceeds	22
Section 1.05 B.	GAN are Limited Obligations	22
Section 1.06 B.	Trustee; GAN Repayment Account	22
Section 1.07 B.	Paying Agents	24
Section 1.08 B.	Covenants with Holders of GAN	24
Section 1.09 B.	GAN Refunding Notes	26
Section 1.10 B.	Events of Default and Enforcement	27
Section 1.11 B.	Defeasance of GAN	27
Section 1.12 B.	Supplemental Resolution on GAN	27
Section 1.13 B.	Non-Presentment of GAN or Coupons	28
Section 1.14 B.	GAN Multilated, Destroyed, Stolen or Lost	28
Section 1.15 B.	Form of GAN	28
	FORM OF GRANT ANTICIPATION NOTE	29
	CERTIFICATE OF AUTHENTICATION	32
	FORM OF GRANT ANTICIPATION NOTE COUPON	33
Section 1.16 B.	GAN Construction Account	34
ARTICLE II - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND		
Section 2.01.	Authorization of Bond	35
Section 2.02.	Description of Bond	35
Section 2.03.	Execution of Bond	35
Section 2.04.	Bond Mutilated, Destroyed, Stolen or Lost	35
Section 2.05.	Bond, BAN and GAN Secured by Pledge of Revenues	35
Section 2.06.	Form of Bond	36
	FORM OF BOND	37
	RECORD OF ADVANCES	41
	ASSIGNMENT	41
ARTICLE III - NOTES PROCEEDS; REVENUES AND APPLICATION THEREOF		
Section 3.01.	Project Construction Account	42
Section 3.01A.	Investments	42
Section 3.02.	Covenants of the Issuer as to Revenues and Funds	44
ARTICLE IV - GENERAL COVENANTS		
Section 4.01.	General Statement	48
Section 4.02.	Rates	48

Section 4.03. Sale of the System 48
Section 4.04. Issuance of Additional Parity Bonds 48
Section 4.05. Insurance and Bonds 48
Section 4.06. Events of Default 50
Section 4.07. Enforcement 50
Section 4.08. Fiscal Year; Budget 51
Section 4.09. Covenant to Proceed and Complete 51
Section 4.10. Books and Records 51
Section 4.11. Maintenance of System 52
Section 4.12. No Competition 52
Section 4.13. Concerning Arbitrage 52

ARTICLE V - RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules 53

ARTICLE VI - MISCELLANEOUS

Section 6.01. Modification or Amendment 54
Section 6.02. Delivery of Bond No. 1 54
Section 6.03. Severability of Invalid Provision 54
Section 6.04. 1979 Resolution 54
Section 6.05. Table of Contents and Headings 54
Section 6.06. Effective Time 55

SIGNATURES 55

06/07/82
SOUTH1-A

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF $750,000 SEWER REVENUE BOND, SERIES 1983, BOND ANTICIPATION NOTES AND GRANT ANTICIPATION NOTES OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT TO FINANCE CONSTRUCTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS FOR THE DISTRICT'S EXISTING SEWERAGE SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND AND THE NOTES; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BOND AND THE NOTES; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF SOUTH PUTNAM PUBLIC SERVICE DISTRICT:

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. South Putnam Public Service District (the "Issuer") is a public service district created pursuant to the Act by The County Commission of Putnam County, initially designated as "Teays Valley Public Service District", and re-designated by order of The County Commission of Putnam County enacted March 10, 1981, as South Putnam Public Service District.

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

(A) The Issuer now has a public sewerage system which does not service a substantial number of residents of the Issuer, and therefore is not adequate for the health, safety and convenience of the inhabitants of the Issuer and the public served and to be served by the sewerage system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and others to be served, and, accordingly, it is hereby ordered, that there be constructed additions, extensions and improvements for the existing sewerage system of the Issuer consisting of additional collection lines and other improvements for the existing sewerage system 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. The construction and acquisition 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 $750,000 to finance a portion of the cost of such construction in the manner hereinafter provided and, prior to delivery of the Bond, it is necessary for the Issuer to issue its bond anticipation notes in the same principal amount.

(D) The estimated maximum cost of the construction of the Project is $4,215,604, of which $750,000 will be obtained from the proceeds of sale of the Bond Anticipation Notes herein authorized, and the balance from a grant of $2,715,670 from Environmental Protection Agency (EPA), a grant of $400,000 from West Virginia Water Development Authority, a grant of $295,000 from the Putnam County Commission, tap fees of $22,934 and anticipated interest earnings on proceeds of the BAN in the amount of $32,000. Prior to receipt of said EPA grant, it is necessary for the Issuer to issue its grant anticipation notes in the principal amount shown in Section 1.01 B hereof.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond and the Notes prior to, during and for six months after completion of such construction to the extent that revenues of the System 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 forty years.

(G) There is an outstanding obligation of the Issuer which will rank on a parity with the Bond as to lien and source of and security for payment, being the Issuer's Sewer Revenue Bond, Series 1979, dated September 12, 1980 (the "1979 Bond"), issued in the principal amount of $2,200,000 and held by the Purchaser.

(H) The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction and acquisition of the Project and operation of the System and issuance of the Bond and the Notes, or will have so complied prior to issuance of the Bond and the Notes, including, among other things, a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired.

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser and of the Notes by the purchasers thereof, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Bondholder and the holders of the Notes, 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 and for the holders of the Notes.

Section 1.04. Use of Sewer Facilities Mandatory. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or

occupant shall, after receipt of a thirty (30)-day notice of the availability of the facilities of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 1.05. 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.

"Anticipated Grant Receipts" means, at any time, the amount of "Grant Receipts," as hereinafter defined, as stated in a certificate of the chairman or such other officer of the Governing Body authorized by resolution to do such (the "Authorized Officer"), expected to be received after the date of such certificate and prior to the sixtieth (60th) day next preceding the scheduled date of maturity of the GAN, as hereinafter defined.

"BAN" means the Bond Anticipation Notes hereinafter provided for and any refunding bond anticipation note or notes hereafter issued.

"Bond" means the Sewer Revenue Bond, Series 1983, authorized hereby to be issued and also means and includes the BAN unless the context clearly would exclude the BAN.

"Bonds" means collectively, the Bond and the 1979 Bond.

"1979 Bond" means the Bond of the Issuer, dated September 13, 1980, issued in the principal amount of $2,200,000, which 1979 Bond is held by the Purchaser.

"Bond Legislation" means this Resolution and all resolutions supplemental hereto.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Rude and Associates, South Charleston, 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.

"Costs of the Project" or similar phrases mean those costs described in Subsection 1.02(E) hereof to be a part of the costs of construction and acquisition of the Project.

"Credit Agreement" means that credit agreement entered into between the Issuer and The Charleston National Bank, Charleston, West Virginia (the "Credit Bank"), pursuant to which the Credit Bank has agreed to purchase the Special Refunding Notes, as hereinafter defined, originally provided for by Section 1.09B hereof, in an aggregate principal amount, the net proceeds of which shall equal the EPA Retainage, as hereinafter defined.

"Eligible Costs of the Project" or similar phrases mean only the Costs of the Project eligible for participation by the EPA and legal, printing and other expenses incurred in the issuance of the GAN, as hereinafter defined, regardless of whether such expenses are eligible for participation by the EPA.

"EPA" means the United States Environmental Protection Agency.

"EPA Agreement" means the grant agreement between the Issuer and EPA and all amendments thereto, including the Assistance Amendment, and dated February 23, 1982 (as to the Issuer), commiting the EPA Grant to the Issuer.

"EPA Grant" means the grant from Environmental Protection Agency pursuant to the commitment therefor.

"EPA Retainage" means seven and five-tenths percent (7.5%) of the Eligible Costs of the Project, or such lesser amount of the Eligible Costs of the Project as may be withheld from time to time by EPA pending satisfactory completion of the EPA audit, which amount shall be certified by the Consulting Engineer to the Trustee, as hereinafter defined, sixty (60) days prior to the scheduled maturity of the GAN.

"Facilities" or "sewer facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the sewerage system by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"Federal 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.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"GAN" means the Grant Anticipation Notes hereafter provided for and any refunding grant anticipation note or notes hereafter issued.

"Governing Body" means the Public Service Board of the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of the EPA Grant.

"Herein" means in this Bond Legislation.

"Holder of the Bond" or "Bondholder" or any similar term means any person who shall be the bearer or owner of the Bond and, unless the context clearly would exclude the BAN, also means the holders of the BAN.

"Issuer" means South Putnam Public Service District and includes the Governing Body.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Non-Eligible Costs of the Project" or similar phrases mean the Costs of the Project not eligible for participation by the EPA.

"Notes" means collectively the BAN and the GAN.

"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 practices, and retention of a sum not to exceed one-sixth 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.

"Project" shall have the meaning stated in Section 1.02(B) above.

"Purchaser" means United States Department of Agriculture, Farmers Home Administration and any successor thereof.

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

(1) Federal Obligations;

(2) 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; Federal Farm Credit Bank; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(3) Public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract with the United States of America and temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

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

(5) 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 Federal Obligations; and

(6) Repurchase agreements, fully secured by obligations set forth in paragraphs (1) through (4) of this definition, 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.

"1979 Resolution" means the Resolution of the Issuer adopted June 19, 1979, pursuant to which the 1979 Bond was issued.

"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.

"Security Instrument" means any trust indenture, trust agreement or contract, bond or note ordinance or other enactment of the Issuer under or pursuant to which bonds, notes or other evidences of indebtedness are or may be issued or secured, including, but not limited to, the Bond Legislation, the Trust Agreement, as hereinafter defined, and the 1979 Resolution.

"Special Refunding Notes" means the refunding notes, in an aggregate principal amount equal to the EPA Retainage, originally provided for by Section 1.09B which may be sold pursuant to the Credit Agreement.

"Surplus Revenues" means any Net Revenues not required by a Security Instrument to be set aside and held for the payment or security of bonds, notes or other obligations of the Issuer, including, but not limited to, the 1979 Bond, the Bond and the BAN.

"System" means the existing sewerage system of the Issuer as expanded by the Project and includes the complete sewerage system of the Issuer and all sewerage 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 sewerage system; and shall also include any and all additions, extensions,

improvements, properties or other facilities at any time acquired or constructed for the sewerage system after completion of the Project.

"Trust Agreement" means the Trust Agreement dated as of June 1, 1982, between the Issuer and the Trustee, the form of which is attached hereto as Appendix A.

"Trustee" means The Charleston National Bank, a national banking association with principal office in Charleston, West Virginia and any successor trustee under the Trust Agreement.

"Underwriters" means the purchasers of the BAN and the GAN, or both, directly from the Issuer.

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 I A

BOND ANTICIPATION NOTES

Section 1.01 A. Authorization and General. In order to pay certain costs of the construction of the Project pending the delivery of the Bond to the Purchaser, bond anticipation notes ("BAN") of the Issuer shall be issued and sold in an amount not to exceed $750,000.

The BAN originally authorized hereby shall each be designated "Sewerage System Bond Anticipation Note, Series 1982," shall be dated such date, and shall be in such denominations as the Governing Body shall determine by Bond Legislation supplemental hereto, shall be numbered from 1 upward, shall be negotiable, in bearer form, shall bear interest payable from the date, and at the rate, shall mature, shall have such paying agents and shall have such other provisions as are not set forth herein as provided in such supplemental Bond Legislation. If interest is payable only at maturity of the BAN, interest coupons will not be used. The BAN shall contain the provisions shown in the form of BAN set forth in Section 1.15A below.

The BAN shall be executed for the Issuer by the manual or facsimile signature of Chairman, and the seal of the Issuer shall be impressed or imprinted thereon and attested by the manual or facsimile signature of the Secretary; provided, that one of such signatures must be manual. Interest coupons, if any, shall bear the facsimile signatures of the Chairman and Secretary.

The BAN originally authorized hereby shall be sold pursuant to a Contract of Purchase to be entered into between the Issuer and Underwriters pursuant to such supplemental Bond Legislation.

Section 1.02 A. Deposit of BAN Proceeds. From the moneys received from the sale of the BAN originally authorized hereby, the following amounts shall be first deducted and deposited:

A. The amount of the proceeds which shall equal the interest to come due on the BAN until the scheduled maturity thereof shall be deposited in a special segregated account designated "South Putnam Public Service District Sewerage System BAN Repayment Account," (the "BAN Repayment Account") as more particularly described in and upon the further terms and conditions of Section 1.06A hereof and the Trust Agreement; provided, that interest shall not be paid from the proceeds of the BAN after six (6) months after completion of construction of the Project.

B. The remaining moneys derived from the sale of the BAN shall be deposited with the Trustee in the Project Construction Account established by Section 3.01 hereof.

Section 1.03 A. Security for the BAN. The BAN shall be secured by the pledge by the Issuer of and by a first lien on (i) the obligation of the Purchaser to make the loan to the Issuer in the amount of $750,000 (the "Loan") by purchasing the Bond, (ii) the proceeds of the sale of the Bond when received, (iii) all moneys and securities in the BAN Repayment Account, (iv) the proceeds from the sale of the BAN until expended as herein authorized, (v) the proceeds of sale of (after payment of costs of issuance and related costs) the BAN refunding notes, if any, and (vi) the Net Revenues of the System until payment of the BAN, and said pledge by the Issuer for the benefit of the holders of the BAN, to the extent of the aggregate principal amount of the BAN and the interest thereon, is hereby made and granted; provided that said pledge of the Net Revenues shall be junior and subordinate to the liens and pledges thereon in favor of the holder of the 1979 Bond. The Issuer will execute such documents as may be required, if any, to perfect such pledge and lien. The Trustee shall act as agent for the holders of the BAN in connection with the execution of instruments necessary under applicable laws in order to fully perfect the interests of the holders of the BAN in the assets pledged hereby, and to receive all notices and respond to all inquiries in connection therewith.

Section 1.04 A. Payment of BAN. The Issuer will immediately deposit with the Trustee all proceeds from the sale of the Bond and (after payment of costs of issuance and related costs) of any refunding BAN to pay the BAN, to be placed by the Trustee directly into the BAN Repayment Account held by the Trustee. Upon maturity of the BAN, the Trustee will pay to the Paying Agents all principal and interest then owing on the BAN.

Section 1.05 A. BAN Are Limited Obligations. The BAN shall be limited obligations of the Issuer, the interest on which is payable solely from certain of the proceeds from the sale of the BAN, the principal of which is payable from the sources described in Section 1.03 A above.

Section 1.06 A. Trustee; BAN Repayment Account. The Trustee shall segregate all funds and securities in the BAN Repayment Account separate and apart from other deposits and funds of the Trustee and other deposits and funds of the Issuer, including the Project Construction Account. Except as provided by Section 3.01 A hereof and subject to the Trust Agreement, all moneys in the BAN Repayment Account, until payment in full of all principal and interest owing on the BAN at maturity, shall be held by the

Trustee for the holders of the BAN, and the Issuer shall have no rights with respect thereto. All moneys in the BAN Repayment Account shall be invested in Qualified Investments in accordance with Section 3.01A hereof. All earnings on the moneys deposited in the BAN Repayment Account for the payment of interest shall be transferred to and deposited in the Project Construction Account. At or prior to any interest payment date and the maturity of the BAN, the Trustee shall transfer to the Paying Agents in immediately available funds the amount of interest or principal and interest owing on the BAN and the charges of the Trustee and the Paying Agents. After payment of all principal and interest owing on the BAN, the Trustee shall deposit any excess amounts remaining in the BAN Repayment Account into the Project Construction Account.

The Issuer shall pay to the Trustee and Paying Agents from time to time reasonable compensation for all services rendered by the Trustee and the Paying Agents under the Bond Legislation and the Trust Agreement, and all reasonable expenses, charges, counsel fees and other disbursements incurred by the Trustee and the Paying Agents in connection with performance of their functions thereunder and hereunder.

Section 1.07 A. Paying Agents. Each Paying Agent for the BAN shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. The Issuer may appoint as successor Paying Agent any bank, trust company or national banking association.

Section 1.08 A. Covenants. The Issuer agrees that prior to the occurrence of any Event of Default (as hereinafter defined) and until payment in full of the principal and interest owing on the BAN when due, the covenants contained in Article IV for the benefit of the Bondholder shall inure to the benefit of the holders of the BAN. Upon the occurrence of an Event of Default, the holders of the BAN shall be entitled to the benefit of all covenants contained in Article IV as if the holders of the BAN were the Purchaser hereunder.

In addition, the Issuer covenants to issue and sell the Bond to the Purchaser not later than one business day before the maturity of the BAN and to take all actions necessary to cause the Purchaser to purchase the Bond on or before such date, payment for the Bond to be in Federal funds immediately available on date of the Bond delivery.

Section 1.09 A. Failure to Issue Bond; BAN Refunding Notes. In the event that either (i) the Purchaser notifies the Issuer it will not accept delivery of and pay for the Bond at least

one day prior to the maturity of the BAN or (ii) the Purchaser has not, at least thirty (30) days prior to the maturity of the BAN, requisitioned its National Finance Office for a check or checks to pay for the Bond at least one day prior to the maturity of the BAN, the Issuer covenants and agrees to issue and sell its Bond, in an amount, the net proceeds of which shall be at least sufficient to pay the principal of the BAN, to another original purchaser. In the event the District has not, on or prior to the twentieth (20th) day next preceding the maturity date of the BAN, entered into a binding contract with a purchaser for the purchase of such Bonds, subject to customary underwriting conditions, the Issuer covenants and agrees to issue and sell its BAN refunding notes in an amount, the net proceeds of which shall be at least sufficient to pay the principal of the BAN. The proceeds of said Bond sold to another original purchaser or of said BAN refunding notes, after making provisions for the payment of the expenses of issuance thereof, shall be deposited in the BAN Repayment Account and used solely for the payment of the principal of and accrued interest on the BAN.

Except for details thereof inconsistent herewith and as otherwise provided by a supplemental resolution, said BAN refunding notes shall be subject to the terms and restrictions and secured by the covenants and in the manner set forth herein for the BAN. Except as otherwise provided herein, said Bond sold to another original purchaser and said BAN refunding notes, as the case may be, shall be offered for sale upon reasonable and customary terms and conditions.

Section 1.10 A. Events of Default and Enforcement. The events described in the Trust Agreement as Events of Default shall be Events of Default hereunder.

The rights of the holders of the BAN on the happening of an Event of Default are described in the Trust Agreement.

In the event of conflict between the provisions hereof and the provisions of the Trust Agreement, the provisions of the Trust Agreement shall prevail.

In the event that the BAN are not paid when due, the interest rate on the BAN after maturity until payment thereof in full shall be as set forth in the BAN.

Section 1.11 A. Defeasance of BAN. Upon deposit by the Issuer with the Trustee of moneys sufficient to pay the BAN at maturity or of Federal Obligations, the principal of and interest on which will be sufficient to pay the BAN at maturity, or both, the BAN shall be considered to have been paid in full pursuant hereto except as provided below, and the liens and pledges hereby granted

shall be deemed to be and shall be cancelled and discharged; and the holders of the BAN shall, upon such deposit, be entitled to payment of the BAN and the interest thereon at maturity solely from the moneys then on deposit with the Trustee. All moneys and all securities deposited in accordance with the provisions of this Section shall at all times be under the exclusive control of the Trustee, shall be held by it for the sole benefit of the holders of the BAN, and shall be applied solely to the payment of the BAN except as expressly provided in this Section; and the Issuer shall have no rights or powers with respect to nor any interest in such moneys or securities or any part thereof.

Section 1.12 A. Resolution on BAN. Following adoption hereof, and upon receipt of the Contract of Purchase referred to in Section 1.01 A, the Issuer, if it be so advised, will adopt a Resolution which will provide, among other things, the dated date of the BAN, the interest rate or rates on the BAN, the interest payment dates, the Paying Agents, the maturity date and the sale price of the BAN and such other matters as shall be required or desired in connection with issuance of the BAN.

Section 1.13 A. Non-Presentment of BAN or Coupons. In the event any BAN or coupon should not be presented for payment when due, one year after the due date or maturity, as the case may be, the Trustee upon request of the Issuer shall cause notice to be published one time in The Daily Bond Buyer to the effect that such BAN or coupon shall no longer be entitled to any security hereunder and under the Trust Agreement, and that the holder thereof shall thereafter be entitled to payment solely from the Issuer from any funds of the Issuer available therefor. Following such publication, for non-presentment of any BAN within one year after the maturity thereof, the Trustee shall close the BAN Repayment Account and distribute the funds therein as herein and in the Trust Agreement provided.

Section 1.14 A. BAN Multilated, Destroyed, Stolen or Lost. In case any BAN shall become multilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new BAN with all unmatured coupons attached of like tenor as the BAN and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated BAN, upon surrender and cancellation of such mutilated BAN and attached coupons, if any, or in lieu of and substitution for the BAN and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All BAN and coupons so surrendered shall be cancelled and held for the account of the

Issuer. If any such BAN or coupon shall have matured or be about to mature, instead of issuing a substitute BAN or coupon, the Issuer may pay the same, upon being indemnified as aforesaid, and if such BAN or coupon be lost, stolen or destroyed, without surrender thereof.

Any such duplicate BAN and coupons issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed BAN or coupons be at any time found by anyone, and such duplicate BAN and coupons shall be entitled to equal and proportionate benefits with all other BAN and coupons issued hereunder.

Section 1.15 A. Form of BAN. The BAN and the interest coupons appertaining thereto shall be in the following form, subject to such changes, insertions and deletions as the Chairman shall agree to by execution of the BAN:

(Form of BAN)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM BOND ANTICIPATION NOTE
SERIES 1982

No. _____ $_____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public service district in Putnam County of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay to bearer upon presentation and surrender hereof the sum of _____ THOUSAND DOLLARS ($_____) without option of prior redemption, on August 2, 1983, with interest at the rate of _____ per cent (_____%) per year payable on February 1 and August 2, 1983, but only upon surrender of the annexed interest coupons as they severally fall due. Both principal and interest are payable in lawful money of the United States of America at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder at Chemical Bank, New York, New York.

This Note is one of a series of Notes in the aggregate principal amount of $750,000 duly authorized by the Issuer and issued in anticipation of the issuance of the Sewer Revenue Bond, Series 1983 (the "Bond"), of the Issuer in the principal sum of $750,000 for aiding in the construction of additions, extensions and improvements for the existing sewerage system (the "System") of the Issuer.

Farmers Home Administration of the United States Department of Agriculture has agreed to purchase the Bond at least one day prior to the due date of the Issue of Notes of which this Note is one, subject to the Issuer's satisfying certain conditions of Farmers Home Administration, which conditions are set forth in a commitment letter of Farmers Home Administration dated June 11, 1982, and, in the event that Farmers Home Administration does not purchase the Bond as aforesaid, the Issuer will make its best efforts to issue and sell the Bond to another original purchaser.

The principal of this Note, and of the issue of Notes of which this Note is one, is payable solely, equally, ratably, and only from (i) the proceeds of sale of the Bond, (ii) the proceeds hereof until expended as provided in the Bond Legislation mentioned below, (iii) certain proceeds, if any, from the sale of refunding

notes, and, (iv) the Net Revenues of the System as defined in said Bond Legislation, provided that such pledge of payment from said Net Revenues shall be junior and subordinate to the pledges thereon in favor of the holder of the 1979 Bond, as defined in said Bond Legislation. The proceeds of sale of the Bond and certain proceeds, if any, from the sale of the refunding notes have been pledged to the Noteholders to secure payment of the principal of the Notes.

Moneys from the proceeds of sale of the Notes to pay the interest on the Notes to maturity have been deposited with the Trustee hereinafter mentioned.

The Notes of the issue of which this Note is one are limited and special obligations of the Issuer, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitations or provisions, and the Issuer shall not be obligated to pay this Note and the Notes of the issue of which this Note is one or the interest thereon except from the sources described herein and any other sources which may be provided by the Bond Legislation authorizing issuance of the Notes and the Bond.

The Notes of the issue of which this Note is one have been duly authorized by a Resolution and a Supplemental Resolution (collectively called the "Bond Legislation") of the Issuer adopted pursuant to West Virginia Code, Chapter 16, Article 13A (the "Act").

The Act provides that the Notes of the issue of which this Note is one are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

The Notes of the issue of which this Note is one are further secured by the Trust Agreement referred to in the Bond Legislation, between the Issuer and The Charleston National Bank, Charleston, West Virginia (the "Trustee"), to which Trust Agreement and Bond Legislation reference is made for further description of the security for payment hereof, the rights of the holders of the Notes and the rights and obligations of the Issuer and the Trustee.

Every requirement of law relating to the issuance hereof has been duly complied with.

This Note shall not be valid nor become obligatory for any purpose until the Certificate of Authentication hereon has been executed by the Trustee.

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and has caused its seal to be hereto affixed or imprinted hereon and attested by the Secretary of said Public Service Board, all as of the date below written.

Dated: June 1, 1982.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

[SEAL]

By (Manual Signature)
Chairman

ATTEST:

(Manual or Facsimile Signature)
Secretary

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes of the issue of Bond Anticipation Notes described in the within-mentioned Bond Legislation.

THE CHARLESTON NATIONAL BANK, Trustee

By (Manual Signature)
Its Authorized Officer

ON

_____

1983

$_____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

will pay to the bearer, but solely from the moneys and funds described in the Note to which this coupon is appurtenant, at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder, at Chemical Bank, New York, New York, the amount shown hereon in lawful money of the United States of America, upon presentation and surrender of this coupon, being interest then due on its SEWERAGE SYSTEM BOND ANTICIPATION NOTE, SERIES 1982, dated June 1, 1982.

NUMBERED_____

COUPON NO._____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

(Facsimile Signature)_____
Chairman

(Facsimile Signature)_____
Secretary

ARTICLE I B

GRANT ANTICIPATION NOTES AND GRANT PROCEEDS

Section 1.01 B. Authorization and General. In order to pay certain costs of the construction of the Project pending the receipt by the Issuer of the EPA Grant, Grant Anticipation Notes (GAN) of the Issuer shall be issued and sold in the aggregate principal amount of $2,035,000.

The GAN originally authorized hereby shall each be designated "Sewerage System Grant Anticipation Note, Series 1982," shall bear such date, shall be in such denominations, shall be in such form and subject to such registration provisions if any, shall bear interest from the date thereof at the rate provided in the GAN Supplemental Resolution hereinafter described, payable at maturity, or at periodic intervals to be provided in the GAN Supplemental Resolution, with maturity, call provisions, if any, and Paying Agents as set forth in the GAN Supplemental Resolution, shall be numbered from 1 upward, and shall contain the provisions shown in the form of GAN set forth in Section 1.15 B below, substantially as therein set forth.

The GAN shall be executed for the Issuer by the Chairman, and the seal of the Issuer shall be affixed or imprinted thereon and attested by the manual or facsimile signature of the Secretary. The interest coupons for the GAN shall be executed by the facsimile signatures of the Chairman and Secretary.

The GAN originally authorized hereby shall be sold pursuant to a Contract of Purchase to be entered into between the Issuer and the Underwriters (the "Contract of Purchase") and shall be sold at the price to be provided in the GAN Supplemental Resolution described in Section 1.12 B.

Section 1.02 B. Deposit of GAN Proceeds. From the moneys received from the sale of the GAN originally authorized hereby, the following amounts shall be first deducted and deposited:

A. The amount of the proceeds which, together with interest to be earned thereon, shall be sufficient to pay the interest to come due on the GAN until the scheduled maturity thereof shall be deposited in the GAN Capitalized Interest Subaccount established in a special segregated account designated as "South Putnam Public Service District Sewerage System Grant Anticipation Note Repayment Account" (the "GAN Repayment Account"), all as more particularly described in and upon the further terms and conditions of Section 1.06B below and in the Trust Agreement; provided, that

interest shall not be paid from the proceeds of the GAN after six (6) months after completion of construction of the Project.

B. The remaining moneys derived from the sale of the GAN shall be deposited in the GAN Construction Account established by Section 1.16B hereof.

Section 1.03 B. Security for the GAN. The GAN shall be secured by the pledge by the Issuer of and by a first lien on (i) the moneys received by or for the Issuer pursuant to the commitment to the Issuer for the EPA Grant in the approximate amount of $2,715,670, (ii) all moneys and securities in the GAN Repayment Account, including the GAN Capitalized Interest Subaccount, and the investment earnings thereon, (iii) the proceeds of sale of the GAN refunding notes and Special Refunding Notes, if any, (iv) all EPA Grant proceeds and GAN proceeds and investment earnings thereon in the GAN Construction Account until expended in accordance with the Trust Agreement, and (v) Surplus Revenues; and said pledge by the Issuer for the benefit of the holders of the GAN to the extent of the aggregate principal amount of the GAN and the interest thereon is hereby made and granted. The Issuer will execute such security agreements and other documents that may be required to perfect such pledges and liens. The Trustee shall act as agent for the holders of the GAN in connection with the execution of all instruments necessary under applicable laws in order to fully perfect the interests of the holders of the GAN in the assets pledged hereby, and to receive all notices and respond to all inquiries in connection therewith.

Section 1.04 B. Payment of GAN; EPA Grant Proceeds. The Issuer will immediately, upon receipt, deposit with the Trustee all proceeds of the EPA Grant received by the Issuer and the net proceeds of any GAN refunding notes to be applied to the payment of the GAN pursuant to Section 1.08 B hereof, to be placed by the Trustee directly into the GAN Repayment Account held by the Trustee, subject, however, to the provisions of the Trust Agreement and Section 106 B, hereof. Upon maturity of the GAN, the Trustee will pay to the Paying Agents all principal and interest then owing on the GAN and the charges of the Trustee and the Paying Agents.

Section 1.05 B. GAN are Limited Obligations. The GAN shall be limited obligations of the Issuer, the interest of which is payable solely from certain of the proceeds from the sale of the GAN and the investment earnings thereon, the principal of which is payable from the sources described in Section 1.03 B above.

Section 1.06 B. Trustee; GAN Repayment Account. The Trustee shall segregate all funds and securities in the GAN Repayment Account from other deposits and funds of the Trustee and other-

deposits and funds of the Issuer, including the GAN Construction Account. Subject to the Trust Agreement, all moneys in the GAN Repayment Account, until payment in full of all principal and interest owing on the GAN, shall be held by the Trustee for the holders of the GAN, and the Issuer shall have no rights with respect thereto except to make such withdrawals and deposits specified below and to receive the balance therein after payment of the GAN and the interest thereon and the charges of the Trustee and Paying Agents.

There is hereby created and established, within the GAN Repayment Account with the Trustee, a trust subaccount, to be designated the "GAN Capitalized Interest Subaccount." All Gan proceeds deposited for the purpose of paying interest on the GAN until the maturity thereof shall be deposited in the GAN Capitalized Interest Subaccount and segregated from all other deposits and funds of the Issuer and shall be promptly invested in accordance with Section 3.01A hereof. At or prior to any interest payment date, as shall be reasonably requested by the Paying Agents, the Trustee shall transfer from the GAN Capitalized Interest Subaccount to the Paying Agents in immediately available funds the amount of interest on the GAN then owing. In the event the funds on deposit in the GAN Capitalized Interest Subaccount are insufficient to pay any interest on the GAN coming due, the Trustee shall transfer funds from the balance of the GAN Repayment Account to make up such deficiency. All earnings on the moneys in the GAN Capitalized Interest Subaccount shall be retained therein and any excess therein after provision for payment of all the interest owing on the GAN to the maturity thereof shall be transferred to the GAN Repayment Account for payment of the principal of the GAN. Any interest on the GAN not payable from the GAN Capitalized Interest Subaccount shall be paid from the balance of the GAN Repayment Account, as provided below for payments of principal.

At or prior to the date for payment of the principal of the GAN, as shall be reasonably requested by the Paying Agents, the Trustee shall transfer to the Paying Agents in immediately available funds moneys sufficient to pay the total principal of the GAN then maturing.

All Grant Receipts received by the Issuer shall be promptly deposited in the GAN Repayment Account and applied to the payment of the principal of and interest on the GAN, as provided above, or to payment of the Eligible Cost of the Project as provided below. Pending such application, moneys in the GAN Repayment Account shall be invested and reinvested in accordance with Section 3.01A hereof.

Prior to the payment of the GAN in full, moneys may be transferred from the GAN Repayment Account, excluding the GAN Capitalized Interest Subaccount therein, to the GAN Construction Account and applied to the Eligible Costs of the Project, upon submission to the Trustee of a transfer order signed by an Authorized Officer and the Consulting Engineers, provided that, after such transfer, there remains in the GAN Repayment Account, excluding the GAN Capitalized Interest Subaccount therein, moneys or Qualified Investments in an amount sufficient, together with ninety percent (90%) of the Anticipated Grant Receipts, as stated in a certificate of an Authorized Officer dated and submitted to the Trustee no more than ten (10) days prior to such transfer, to pay the principal of all outstanding GAN at their maturity.

Any moneys remaining in the GAN Repayment Account after the payment of the GAN in full shall be applied to costs of completion of the Project, or, if the Project is then complete, may be withdrawn by the Issuer and used for any lawful purpose of the System.

The Issuer shall pay to the Trustee and the Paying Agents from time to time reasonable compensation for all services rendered by the Trustee and the Paying Agents hereunder and under the Trust Agreement, and all reasonable expenses, charges, counsel fees and other disbursements incurred by the Trustee and the Paying Agents in connection with performance of their functions hereunder and under the Trust Agreement.

Section 1.07 B. Paying Agents. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. The Issuer may appoint as successor Paying Agent any bank, trust company or national banking association.

Section 1.08 B. Covenants with Holders of GAN. In order to secure the payment of the GAN, the Issuer hereby particularly covenants and agrees with the holders of the GAN, and makes such provisions a part of the contract with such holders, that the Issuer, if and so long as any of the GAN is outstanding:

A. Will proceed to complete with all practicable dispatch the construction and acquisition of the Project;

B. Will not make or cause or permit to be made any application of the proceeds of the GAN or of any moneys held in the GAN Repayment Account or the GAN Construction Account except in accordance with the provisions hereof;

C. Will comply in all respects with the terms, conditions and provisions of the EPA Agreement and with all applicable State and federal laws and regulations governing the implementation of the EPA Agreement;

D. Will impose and collect rates and charges for the use and services of the System in accordance with the requirements of the EPA Agreement;

E. Will take all actions necessary to enforce the EPA Agreement and to preserve its right to receive reimbursements under the EPA Agreement;

F. Will continue promptly to request any reimbursement to which it has become entitled under the EPA Agreement;

G. Will promptly deposit all Grant Receipts in the GAN Repayment Account;

H. Will not unilaterally terminate, or enter into any agreement to terminate, the EPA Agreement;

I. Except for the benefit or security of the 1979 Bond, the Bond, the BAN or the GAN, will not create, assume or suffer to be created any judgment, mortgage or deed of trust, pledge or other lien, encumbrance or charge on the Gross Revenues or the Net Revenues, or on any property or assets, real or personal, of the System, except that the Issuer may issue bonds or notes payable from or secured by Gross Revenues or Net Revenues the lien and pledge of which shall be junior and subordinate to the liens and pledges in favor of the holders of the GAN;

J. Will take all actions necessary to maintain the Credit Agreement in full force and effect and will issue its Special Refunding Notes, as required by Section 1.09B hereof, and will apply the proceeds of sale of said Special Refunding Notes, if any, to the payment of such maturing GAN;

K. If, other than in connection with the EPA Retainage, the amounts on deposit in the GAN Repayment Account are not sufficient to pay the principal of and interest on the GAN at the maturity thereof, will issue other refunding notes or obligations to provide for such payment in accordance with Section 1.09B hereof;

L. Will not invest any of the funds of the Issuer so as to render the GAN "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954; and

M. Will give to the Trustee and to any holder of GAN who has furnished the Issuer with his name and address and requested that such be given, prompt written notice, appropriately documented, of any change in the status of the EPA Grant and of any authorization of the Bond, the Special Refunding Notes or any other refunding notes of the Issuer, and particularly of any of the following events:

(a) Any modification of the EPA Grant;

(b) The suspension of the EPA Grant, or the issuance of any stop-work order with respect to all or a substantial portion of the Project;

(c) The lifting or cancellation of the suspension of the EPA Grant or the issuance of any stop-work order;

(d) The termination of the EPA Grant;

(e) The annulment of the EPA Grant; and

(f) The issuance by the Issuer of the Bond, any Special Refunding Notes or any other refunding notes for the purpose of retiring the BAN or the GAN, and the amount thereof.

Section 1.09 B. GAN Refunding Notes. In the event there are not sufficient funds in the GAN Repayment Account, on or prior to the sixtieth (60th) day next preceding the maturity date of the GAN, to pay the principal of and interest on the GAN at the maturity thereof, the Issuer covenants and agrees to issue and sell GAN refunding notes or other obligations in an amount which together with other available funds, will be sufficient, to make such payment at the maturity of the GAN. Except for details thereof inconsistent herewith and as otherwise provided by a supplemental resolution, GAN refunding notes shall be subject to the terms and restrictions and secured by the covenants and in the manner set forth herein for the GAN. Except as otherwise provided herein, GAN refunding notes shall be offered for sale upon reasonable and customary terms and conditions.

In the event the Issuer has not, on or prior to the fortieth (40th) day next preceding the maturity date of the GAN, entered into a binding contract with a purchaser, other than the Credit Bank, for the purchase of said GAN refunding notes, subject

to customary underwriting conditions, and such deficiency in the GAN Repayment Account is due in whole or in part to the EPA Retainage, it shall issue and sell its Special Refunding Notes, in the principal amount equal to the EPA Retainage determined as of the date of issuance thereof, to the Credit Bank pursuant to the Credit Agreement. On or prior to said fortieth (40th) day next preceding the maturity date of the GAN, the Issuer shall give the notice required by the Credit Agreement and shall thereafter take all other actions necessary to deliver its Special Refunding Notes to, and receive payment therefor from, the Credit Bank prior to the maturity of the GAN.

The proceeds of the GAN refunding notes or the Special Refunding Notes, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the GAN Repayment Account and used solely for the payment of the principal of and accrued interest on the GAN.

Section 1.10 B. Events of Default and Enforcement. The events described in the Trust Agreement as Events of Default shall be Events of Default hereunder.

Section 1.11 B. Defeasance of GAN. Upon deposit by the Issuer with the Trustee of moneys sufficient to pay the GAN at maturity, or of Federal Obligations, or both, the principal of and interest on which will be sufficient to pay the GAN at maturity, the GAN shall be considered to have been paid in full pursuant hereto, except as provided below, and the lien and pledge hereby granted shall be deemed to be and shall be cancelled and discharged; and the holders of the GAN shall, upon such deposit, be entitled to payment of the GAN and the interest thereon at maturity solely from the moneys then on deposit with the Trustee. All moneys and all securities deposited in accordance with the provisions of this Section shall at all times be under the exclusive control of the Trustee, shall be held by it for the sole benefit of the holders of the GAN, and shall be applied solely to the payment of GAN except as expressly provided in this Section; and the Issuer shall have no rights or powers with respect to nor any interest in such moneys or securities or any part thereof.

Section 1.12 B. Supplemental Resolution on GAN. Following adoption hereof, and upon receipt of the Contract of Purchase referred to in Section 1.01 B, the Issuer, if it be so advised, will adopt a GAN Supplemental Resolution approving the Contract of Purchase and ordering the issuance of the GAN pursuant hereto and to the Resolution, which Resolution will provide, among other things, the interest rate or rates on the GAN, the interest payment dates, the maturity date and the sale price of the GAN and

such other matters as shall be required or desired in connection with issuance of the GAN.

Section 1.13 B. Non-Presentment of GAN or Coupons. In the event any GAN or coupon should not be presented for payment when due, one year after the due date or maturity, as the case may be, the Trustee upon request of the Issuer shall cause notice to be published one time in The Daily Bond Buyer to the effect that such GAN or coupon shall no longer be entitled to any security hereunder and under the Trust Agreement, and that the holder thereof shall thereafter be entitled to payment solely from the Issuer from any funds of the Issuer available therefor. Following such publication, for non-presentment of any GAN within one year after the maturity thereof, the Trustee shall close the GAN Repayment Account and distribute the funds therein as herein and in the Trust Agreement provided.

Section 1.14 B. GAN Multilated, Destroyed, Stolen or Lost. In case any GAN shall become multilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new GAN with all unmatured coupons attached of like tenor as the GAN and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated GAN, upon surrender and cancellation of such mutilated GAN and attached coupons, if any, or in lieu of and substitution for the GAN and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All GAN and coupons so surrendered shall be canceled and held for the account of the Issuer. If any such GAN or coupon shall have matured or be about to mature, instead of issuing a substitute GAN or coupon, the Issuer may pay the same, upon being indemnified as aforesaid, and if such GAN or coupon be lost, stolen or destroyed, without surrender thereof.

Any such duplicate GAN and coupons issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed GAN or coupons be at any time found by anyone, and such duplicate GAN and coupons shall be entitled to equal and proportionate benefits with all other GAN and coupons issued hereunder.

Section 1.15 B. Form of GAN. The GAN shall be in the following form, subject to such changes, insertions and deletions as the Chairman shall agree to by execution of the GAN:

(Form of GAN)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
SOUTH PUTNAM PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM GRANT ANTICIPATION NOTE
SERIES 1982

No. _____ $_____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT, a public service district in Putnam County of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay to bearer upon presentation and surrender hereof the sum of _____ _____ THOUSAND DOLLARS ($_____) on June 1, 1984, with interest at the rate of _____ percent (_____%) per year payable on June 1 and December 1 of each year, commencing December 1, 1982, but only upon surrender of the annexed coupons as they severally fall due, subject to prior redemption hereof. Both principal and interest are payable in lawful money of the United States of America at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder, at Chemical Bank, New York, New York.

This Note is one of a series of Notes in the aggregate principal amount of $2,035,000 duly authorized by the Issuer and issued in anticipation of the receipt by the Issuer from the United States Environmental Protection Agency ("EPA") of a grant in aid of construction of additions, extensions and improvements for the existing sewerage system (the "System") of the Issuer, which grant has been committed in the approximate amount of $2,715,670 (the "EPA Grant").

The principal of this Note, and of the issue of Notes of which this Note is one, is payable solely, equally, ratably, and and secured by a first lien on and pledge of: (i) the moneys received by or for the Issuer pursuant to the commitment to the Issuer for the EPA Grant, (ii) all moneys and securities in the GAN Repayment Account as defined in the Bond Legislation described herein, (iii) the proceeds of sale of Grant Anticipation Note refunding notes, if any, and Special Refunding Notes, as defined in said Bond Legislation, (iv) all EPA Grant proceeds and Grant Anticipation Note proceeds and investment earnings thereon in the GAN Construction Account, (as defined in said Bond Legislation) until expended, and (v) Surplus Revenues (as defined in said Bond Legislation).

Moneys from the proceeds of sale of the Notes in an amount, which, together with interest expected to be earned on such moneys, will be sufficient to pay the interest on the Notes have been deposited with the Trustee hereinafter mentioned.

The Notes of the issue of which this Note is one are subject to redemption at the option of the Issuer prior to maturity, in whole, but not in part, on or after June 1, 1983, at a redemption price of the principal amount thereof plus accrued interest to the date of redemption, without premium. Notice of any such redemption shall be given by the Trustee by publication in The Daily Bond Buyer, a financial journal of general circulation published and circulated in the City of New York, New York, not less than twenty days prior to the date fixed for redemption, stating the redemption price, and the place or places where the payment of the redemption price will be made.

The Notes of the issue of which this Note is one are limited and special obligations of the Issuer, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitations or provisions, and the Issuer shall not be obligated to pay this Note and the Notes of the issue of which this Note is one or the interest thereon except from the sources set forth above.

The Notes of the issue of which this Note is one have been duly authorized by a Resolution and Supplemental Resolution (collectively called the "Bond Legislation") of the Issuer pursuant to West Virginia Code, Chapter 16, Article 13A (the "Act").

The Act provides that the Notes of the issue of which this Note is one are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

The Notes of the issue of which this Note is one are further secured by the Trust Agreement referred to in the Bond Legislation, between the Issuer and The Charleston National Bank, Charleston, West Virginia (the "Trustee"), to which Trust Agreement and Bond Legislation reference is made for further description of the security for payment hereof, the rights of the holders of the Notes and the rights and obligations of the Issuer and the Trustee.

Every requirement of law relating to the issuance hereof has been duly complied with.

This Note shall not be valid nor become obligatory for any purpose until the Certificate of Authentication hereon has been executed by the Trustee.

IN WITNESS WHEREOF, SOUTH PUTNAM PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and has caused its seal to be hereto affixed or imprinted hereon and attested by the Secretary of its Public Service Board, all as of the date below written.

Dated: June 1, 1982.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

[SEAL]

By (Manual Signature)
Chairman

ATTEST:

(Manual or Facsimile Signature)
Secretary

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes of the issue of Grant Anticipation Notes described in the within-mentioned Bond Legislation.

THE CHARLESTON NATIONAL BANK, Trustee

By (Manual Signature)
Its Authorized Officer

ON

_____

19____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

$_____

will pay to the bearer, but solely from the sources pledged therefor, all as described in the Sewerage System Grant Anticipation Note, Series 1982, hereinafter mentioned, and upon presentation and surrender of this coupon at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder, at Chemcial Bank, New York, New York, the amount shown hereon in lawful money of the United States of America as provided in and being interest then due on its SEWERAGE SYSTEM GRANT ANTICIPATION NOTE, SERIES 1982, dated June 1, 1982.

NUMBERED _____

COUPON NO. _____

SOUTH PUTNAM PUBLIC SERVICE DISTRICT

(Facsimile Signature)_____
Chairman

(Facsimile Signature)_____
Secretary

Section 1.16B. GAN Construction Account. There is hereby created and established with the Trustee a special fund, to be designated the "South Putnam Public Service District Grant Anticipation Note Project Construction Account" (the "GAN Construction Account"), which account shall be segregated from all other funds and accounts of the Trustee or the Issuer and used solely for the purposes provided herein. No moneys shall be disbursed from the GAN Construction Account except to pay the Eligible Costs of the Project or to pay the principal of or interest on the GAN when due, as provided by Section 702 of the Trust Agreement. Withdrawals from the GAN Construction Account shall be made only as provided by the Trust Agreement. Pending such application, moneys in the GAN Construction Account shall be invested and reinvested in accordance with Section 3.01A hereof.

Whenever the Trustee shall have received notice pursuant to Section 1.08B hereof that the EPA Grant has been suspended or a stop-work order has been issued, no further withdrawals shall be made from the GAN Construction Account until the Trustee shall have received notice of the lifting of such suspension or stop-work order in accordance with such Section. If the Trustee shall have received notice pursuant to said Section 1.08B that the EPA Grant has been terminated or annulled, no further withdrawals shall be made from the GAN Construction Account and all moneys remaining in the GAN Construction Account shall immediately be transferred to the GAN Repayment Account.

After completion of the Project, as certified by the Consulting Engincer, any moneys remaining in the GAN Construction Account shall be transferred to the GAN Repayment Account.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 2.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as "Sewer Revenue Bond, Series 1983," is hereby authorized to be issued in the aggregate principal amount of not exceeding Seven Hundred Fifty Thousand Dollars ($750,000) for the purpose of permanently financing a portion of the cost of the construction and acquisition of the Project.

Section 2.02. Description of Bond. The Bond shall be issued in single form, No. 1, and shall be dated the date of delivery thereof. The Bond shall bear interest from date, payable monthly, at the rate of eleven and three-eighths percent (11.375%) 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. 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 2.04. Bond 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 ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be cancelled 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 2.05. Bond, BAN and GAN Secured by Pledge of 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 provided by the Act, but said liens shall be on a parity in all respects with the liens and pledges in favor of the holder of the

1979 Bond. 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. The BAN are secured, inter alia, by a lien on and pledge of said Net Revenues which lien and pledge are junior and subordinate to the lien and pledge thereon in favor of the holder of the 1979 Bond, and the GAN are secured, inter alia, by a pledge of the Surplus Revenues.

Section 2.06. 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)

SEWER REVENUE BOND, SERIES 1983

SOUTH PUTMAN PUBLIC SERVICE DISTRICT

$750,000

No. 1 Date:_____

FOR VALUE RECEIVED, SOUTH PUTNAM PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (the "Government"), at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Seven Hundred Fifty Thousand Dollars ($750,000), plus interest on the unpaid principal balance at the rate of eleven and three-eighths percent (11.375%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four months after the date hereof, and $7,208, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments

last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions and improvements for the sewerage system (the "System") of the Borrower, is payable solely from the Net Revenues to be derived from the operation of the System as defined in the Resolution of the Issuer authorizing the issuance hereof. This Bond does not in any manner constitute an indebtedness of the Borrower

within the meaning of any constitutional or statutory provision or limitation.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers Home 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.

This Bond is on a parity in all respects with the 1979 Bond described in said Resolution.

SOUTH PUTNAM PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Post Office Box 147
(P.O. Box No. or Street Address)

Scott Depot, West Virginia. 25560
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

TOTAL $_____

ASSIGNMENT

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

_____
(Title)

ARTICLE III

NOTES PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 3.01. Project Construction Account. There is hereby created and established with the Trustee a special fund, to be designated the "South Putnam Public Service District Sewerage Project Construction Account" (the "Project Construction Account"), which account shall be segregated from all other funds and accounts of the Trustee or the Issuer and used solely for the purposes provided herein. In addition to the BAN proceeds required to be deposited into the Project Construction Account pursuant to Section 1.02A hereof, the Issuer shall deposit into the Project Construction Account upon receipt thereof any and all other funds arising from grants or gifts made available for the Project, to the extent allowable under the terms and provisions of such grants or gifts, and such portion of tap fees received from new users of the System as shall be required by the Purchaser.

No moneys shall be disbursed from the Project Construction Account except to pay the Costs of the Project, or to pay the principal of or interest on the BAN when due. Withdrawals from the Project Construction Account shall be made only as provided by the Trust Agreement.

Pending such application, moneys in the Project Construction Account shall be invested and reinvested in accordance with Section 3.01A hereof.

Until completion of construction of the Project, the Issuer will 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 installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment. The Issuer will also transfer from the Project Construction Account to the Trustee, upon request to the trustee, such moneys as may be needed to pay charges of the Trustee and the Paying Agents.

After completion of the Project, as certified by the Consulting Engineer, any moneys remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 3.01A. Investments. Any moneys held as a part of an account or subaccount created by this Bond Legislation on account of the Notes shall be invested and reinvested by the Trustee, at the

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.

Except as provided below, any investment shall be held in and at all times deemed a part of the account or subaccount in which such moneys are originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate account or subaccount. The investments held for any account or subaccount 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. The Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any account or subaccount is insufficient to make the payments required from such account or subaccount, regardless of the loss on such liquidation. The Trustee 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 investment, other than for its own negligence or willful misconduct.

References in this Section to the date of maturity or redemption at the option of the holder of Qualified Investments shall also be deemed to include, with respect to repurchase agreements authorized hereunder, the date for resale provided under such an agreement.

The following specific provisions shall apply with respect to any investments made under this section:

A. Qualified Investments may be purchased for the BAN Repayment Account either in the open market or from the Project Construction Account. Qualified Investments may be purchased for the GAN Repayment Account, including the GAN Capitalized Interest Subaccount therein, either in the open market of from the GAN Construction Account. If so purchased from the Project Construction Account or the GAN Construction Account, as the case may be, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

B. Qualified Investments acquired for the GAN Capitalized Interest Subaccount and for the BAN proceeds segregated in the BAN Repayment Account for the payment of interest on the BAN shall have maturities or be subject to redemption at the option of the holder at least one day prior to the need for the funds by the Trustee for transfer to the Paying Agents.

C. Earnings on the BAN proceeds segregated in the BAN Repayment Account for the payment of interest on the BAN may semiannually be transferred to the Project Construction Account.

If at any time any moneys in any of the accounts created on behalf of the Notes are not invested, such moneys shall be insured by FDIC or, to the extent not so insured, shall be secured by Federal Obligations.

Section 3.02. Covenants of the Issuer as to Revenues and Funds. So long as the Bonds or the BAN shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund established by the 1979 Resolution, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bonds or the BAN remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holders of the Bonds as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and tap fees received and not required to be deposited in the Project Construction Account, shall be deposited as collected by the Issuer in The Teays Valley National Bank, Scott Depot, West Virginia (the "Bank"), which is a member of FDIC, which Fund, known as the "Revenue Fund" was established by the 1979 Resolution and is continued herein. 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 Bonds, transfer from the Revenue Fund and pay to the National Finance Office designated in the Bonds the amount required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the life of each respective Bond issue.

(3) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit with the said Bank in the Reserve Fund established by the 1979 Resolution with said Bank and continued herein, 1/12 of 1/10 of the amount of principal and interest becoming due on the Bonds in any year until the amount in the Reserve Fund equals the sum of $216,000, 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 Bonds 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 shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Bonds to said National Finance Office as the same shall become due or for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose.

(4) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and deposit in the Depreciation Reserve, established by the 1979 Resolution with said Bank and continued herein, 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 $200,000 and thereafter such sums as shall be required to maintain such amount therein. 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 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 may be withdrawn by the Issuer and used for extraordinary repairs and for replacements of equipment and for additions 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 required to be retained therein are hereby designated "Excess Revenues" and, to the extent necessary, shall be used to pay the BAN at the maturity thereof, and may be used to prepay installments of the Bond or for any lawful purpose, including payment of the GAN at maturity.

Whenever the moneys in the Reserve Fund shall be sufficient to prepay the Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds 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 and the Depreciation Reserve as herein provided, and all amounts required therefor 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 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 for further securing payment of the Bonds 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 shall keep the moneys in the Reserve Fund and the Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations

of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years. Earnings upon moneys in the Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Revenue Fund by the Fiscal Agent.

(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, provide evidence that there will be at least 2,045 bona fide users upon the System on completion of the Project, including the three large volume users described in the FmHA Letter of Conditions dated February 12, 1982, and must obtain a $50.00 tap fee from each such new user and deposit in the Project Construction Account all such tap fees collected.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Bonds 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 Bonds and 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 any of the Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 4.04. Issuance of Additional Parity Bonds. No additional parity bonds 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 actual cost 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) Workmen'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.

(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 $50,000 upon the Secretary, 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. 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 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 4.07. 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 4.08. Fiscal Year; Budget. While any of the Bonds are 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 thirty 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 year next 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 4.09. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recording Officer on the date of adoption hereof, subject to permitted changes.

Section 4.10. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and 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.

Section 4.11. 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 4.12. 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 4.13. Concerning Arbitrage. The proceeds of sale of the Bond, the BAN or the GAN will not be invested in such a way as to violate the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(c) of the Internal Revenue Code of 1954, as amended.

ARTICLE V

RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The schedule of rates and charges for the services and facilities of the System shall be as set forth in the Order of the West Virginia Public Service Commission entered October 11, 1978, the time for rehearing and appeal of which has expired.

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

C. 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.

D. 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.

E. 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 the prior written consent of the Purchaser, and, in the event such modification or amendment may affect the BAN, the holders thereof or security therefor, the holders of 60% in principal amount of the BAN, and in the event such modification or amendment may affect the GAN, the holders thereof or the security therefor, the holders of 60% in principal amount of the GAN.

Section 6.02. Delivery of Bond No. 1. The Chairman and Secretary are hereby authorized and directed to cause Bond No. 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 Provision. 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 separable 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 or the Notes.

Section 6.04. 1979 Resolution. The 1979 Resolution and all parts thereof not expressly herein changed shall continue in full force and effect, and this Resolution shall be supplemental to the 1979 Resolution. 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 up its adoption.

Adopted: 8 June, 1982.

Chairman, Public Service Board

Member

Member

06/07/82
SOUTH1-B

TEAYS VALLEY PUBLIC SERVICE DISTRICT

Sewer Revenue Bond, Series 1979

and

Bond and Grant Anticipation Notes

BOND RESOLUTION

Table of Contents

SUBJECT		PAGE
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01.	Authority for This Resolution	1
Section 1.02.	Findings and Determinations	1
Section 1.03.	Resolution to Constitute Contract	2
Section 1.04.	Use of Sewer Facilities Mandatory	2
Section 1.05.	Definitions	3
ARTICLE I A - BOND ANTICIPATION NOTES		
Section 1.01 A.	Authorization and General	6
Section 1.02 A.	Deposit of BAN Proceeds	6
Section 1.03 A.	Security for the BAN	6
Section 1.04 A.	Payment of BAN	7
Section 1.05 A.	BAN Are Limited Obligations	7
Section 1.06 A.	Trustee; BAN Repayment Account	7
Section 1.07 A.	Paying Agents	8
Section 1.08 A.	Covenants	8
Section 1.09 A.	Refunding BAN	8
Section 1.10 A.	Events of Default and Enforcement	8
Section 1.11 A.	Defeasance of BAN	9
Section 1.12 A.	Supplemental Bond Legislation	9
Section 1.13 A.	Form of BAN	9
FORM OF BOND ANTICIPATION NOTE		10
ARTICLE I B - GRANT ANTICIPATION NOTES AND GRANT PROCEEDS		
Section 1.01 B.	Authorization and General	12
Section 1.02 B.	Deposit of GAN Proceeds	12
Section 1.03 B.	Security for the GAN	12
Section 1.04 B.	Payment of GAN; Grant Proceeds	13
Section 1.05 B.	GAN Are Limited Obligations	13
Section 1.06 B.	Trustee; GAN Repayment Account	13
Section 1.07 B.	Paying Agents	14
Section 1.08 B.	Covenants	14
Section 1.09 B.	Grant Anticipation Refunding Notes	14
Section 1.10 B.	Events of Default and Enforcement	15
Section 1.11 B.	Defeasance of GAN	15
Section 1.12 B.	Supplemental Bond Legislation	15
Section 1.13 B.	Form of GAN	15
FORM OF GRANT ANTICIPATION NOTE		16

6/9/79

ARTICLE II - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 2.01.	Authorization of Bond	18
Section 2.02.	Description of Bond	18
Section 2.03.	Execution of Bond	18
Section 2.04.	Bond Mutilated, Destroyed, Stolen or Lost	18
Section 2.05.	Bond and BAN Secured by Pledge of Revenues	18
Section 2.06.	Form of Bond	18
	FORM OF BOND	19
	RECORD OF ADVANCES	22

ARTICLE III - NOTE PROCEEDS; REVENUES AND APPLICATION THEREOF

Section 3.01.	Notes Proceeds; Project Construction Account	23
Section 3.02.	Covenants of the Issuer as to Revenues and Funds	23

ARTICLE IV - GENERAL COVENANTS

Section 4.01.	General Statement	26
Section 4.02.	Rates	26
Section 4.03.	Sale of the System	26
Section 4.04.	Issuance of Additional Parity Bonds	26
Section 4.05.	Insurance and Bonds	26
Section 4.06.	Statutory Mortgage	27
Section 4.07.	Events of Default	27
Section 4.08.	Enforcement	28
Section 4.09.	Fiscal Year; Budget	28
Section 4.10.	Compensation of Members of Governing Body	28
Section 4.11.	Covenant to Proceed and Complete	28
Section 4.12.	Books and Records	29
Section 4.13.	Maintenance of System	29
Section 4.14.	Concerning Arbitrage	29

ARTICLE V - RATES, ETC.

Section 5.01.	Initial Schedule of Rates and Charges; Rules	30

ARTICLE VI - MISCELLANEOUS

Section 6.01.	Filing Under Unform Commercial Code	34
Section 6.02.	Delivery of Bond No. 1	34
Section 6.03.	Severability of Invalid Provision	34
Section 6.04.	Conflicting Provisions Repealed	34
Section 6.05.	Table of Contents and Headings	34
Section 6.06.	Effective Time	34

TEAYS VALLEY PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF $2,200,000 SEWER REVENUE BOND, SERIES 1979, BOND ANTICIPATION NOTES AND GRANT ANTICIPATION NOTES OF TEAYS VALLEY PUBLIC SERVICE DISTRICT TO FINANCE CONSTRUCTION OF A NEW SEWERAGE SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND AND THE NOTES; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BOND AND THE NOTES; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF TEAYS VALLEY PUBLIC SERVICE DISTRICT:

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. Teays Valley Public Service District (the "Issuer") is a public service district created pursuant to the Act by The County Commission of Putnam 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 sewerage 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 constructed a new sewerage system of the Issuer consisting of sewer mains and connecting lines, and lift stations, 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. The construction and acquisition 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. The Issuer and the City of Hurricane have entered into an agreement dated June 28, 1978, pursuant to which said City will receive and treat sewage collected by the System, which agreement has been approved by the Public Service Commission of West Virginia.

(C) It is necessary for the Issuer to issue its revenue bond in the principal amount of $2,200,000 to finance a portion of the cost of such construction in the manner hereinafter provided and, prior to delivery of the Bond, it is necessary for the Issuer to issue its bond anticipation notes in the same principal amount and its grant anticipation notes in the principal amount shown in Section B-1.01. It is also necessary for the Issuer to enter into the Trust Agreement substantially in the form of Appendix A attached hereto, and the Chairman and the Secretary shall execute, acknowledge and deliver the Trust Agreement.

(D) The estimated maximum cost of the construction of the Project is $9,950,720, of which $2,200,000 will be obtained from the proceeds of sale of the Bond herein authorized, and the balance from a grant of $6,885,750 from Environmental Protection Agency, a grant of $100,000 from West Virginia Water Development Authority, a grant of $354,970 from Appalachian Regional Commission and a grant of $410,000 from the State of West Virginia.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond and the Notes prior to, during and for six months after completion of such construction to the extent that revenues of the System 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 forty years.

(G) There are not outstanding any obligations of the Issuer which will rank prior to or on a parity with the Bond or the Notes as to lien and source of and security for payment.

(H) The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the consent and approval, pursuant to the Act, of the issuance of the Bond by the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired. The interim financing by the Notes shall also be so approved prior to delivery thereof.

Section 1.03. Resolution to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser and of the Notes by the purchasers thereof, this Resolution (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser and the holders of the Notes, 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 and for the holders of the Notes.

Section 1.04. Use of Sewer Facilities Mandatory. The mandatory use of the sewer facilities is essential and necessary for the protection and preservation of the public health, comfort,

safety, convenience and welfare and the economy of the inhabitants of the area served by the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the sewer facilities. Accordingly, every owner, tenant and occupant of every lot, parcel and tract of land which abuts on a street, alley or other public way in which any sewer line, main or facility is located, or which is located within a reasonable distance thereof, not exceeding 300 feet, and reasonably accessible thereto, and upon which lot, parcel or tract a building or other habitable structure has been or shall be erected for residential, commercial or industrial use, shall connect the waste or sewage lines of such building or structure with the sewer facilities of the System immediately upon completion of the Project if sewage will flow by gravity from such building or structure into such sewer facilities, and shall thereupon and thereafter refrain from using and shall cease to use any other method for the disposal of sewage or water-borne waste matter and shall pay all charges, fees and rates lawfully provided for use of such sewer facilities.

Any such building or structure from which emanates sewage or water-borne waste matter and not so connected with the sewer facilities is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in the Circuit Court of said County or other court of competent jurisdiction.

Section 1.05. 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.

"BAN" means the Bond Anticipation Notes hereinafter provided for and any refunding bond anticipation note or notes hereafter issued.

"Bond" means the Sewer Revenue Bond, Series 1979, authorized hereby to be issued and also means and includes the BAN unless the context clearly would exclude the BAN.

"Bond Legislation" means this Resolution and all resolutions supplemental hereto.

"Chairman" means the Chairman of the Governing Body.

"Consulting Engineer" means Milam Engineering, Inc., Dunbar 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.

"Issuer" means Teays Valley Public Service District, of Putnam County, West Virginia, and, where appropriate, also means the Governing Body.

"Facilities" or "sewer facilities" means all the tangible properties of the System and also any tangible properties which may

hereafter be added to the sewerage 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.

"GAN" means the Grant Anticipation Notes hereafter provided for and any refunding grant anticipation note or notes hereafter issued.

"Governing Body" means the Public Service Board of the Issuer.

"Herein" means in this Bond Legislation.

"Holder of the Bond" or any similar term means any person who shall be the bearer or owner of the Bond and, unless the context clearly would exclude the BAN, also means the holders of the BAN.

"Issuer" means Teays Valley Public Service District and includes the Governing Body.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Notes" means collectively the BAN and the GAN.

"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 practices, and retention of a sum not to exceed one-sixth 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.

"Paying Agents" means paying agents selected by the Issuer for payment of the BAN and the GAN.

"Project" shall have the meaning stated in Section 1.02(B) above.

"Purchaser" means United States Department of Agriculture, Farmers Home Administration and any successor thereof.

"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 principles.

"Secretary" means the Secretary of the Governing Body.

"System" means the Project initially, and includes the complete sewerage system of the Issuer and all sewerage 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 sewerage system; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the sewerage system after completion of the Project.

"Trust Agreement" means the Trust Agreement dated June 19, 1979, between the Issuer and the Trustee securing the BAN and the GAN, the form of which is attached hereto as Appendix A.

"Trustee" means The Charleston National Bank, Charleston, West Virginia, and any successor trustee hereunder.

"Underwriters" means the purchasers of the BAN or the GAN, or both, directly from the Issuer.

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 I A

BOND ANTICIPATION NOTES

Section 1.01 A. Authorization and General. In order to pay certain costs of the construction of the Project pending the delivery of the Bond to the Purchaser, bond anticipation notes ("BAN") of the Issuer shall be issued and sold in the amount of $2,200,000.

Each BAN shall be designated "Bond Anticipation Note," shall be dated on the date of delivery thereof, shall be numbered 1 upward, shall be in such denominations as the Governing Body shall determine by Bond Legislation supplemental hereto, shall be negotiable, in bearer form, shall bear interest from the date of delivery payable and at the rate or rates, shall mature, shall have such paying agents and shall have such other provisions as are not set forth herein as provided in such supplemental Bond Legislation. The BAN shall contain the provisions shown in the form of BAN set forth in Section 1.12 A below.

The BAN shall be executed for the Issuer by the Chairman, and the seal of the Issuer shall be impressed thereon and attested by the signature of the Secretary.

The BAN shall be sold pursuant to a Purchase Agreement to be entered into between the Issuer and Underwriters pursuant to such supplemental Bond Legislation.

Section 1.02 A. Deposit of BAN Proceeds. The amount received upon the sale of the BAN, less interest to become due until the maturity thereof, shall be deposited on receipt by or for the Issuer with the Trustee, a member of the Federal Deposit Insurance Corporation ("FDIC"), in the Project Construction Account established by Section 3.01 hereof; provided, that the Issuer may designate any other bank in West Virginia as Trustee if the above-named Trustee should refuse or be unable to serve.

The balance received from the proceeds from the sale of the BAN shall be for payment of the interest on the BAN as such interest becomes due, and shall be directly deposited on receipt by or for the Issuer with the Trustee in a special segregated account designated "Teays Valley Public Service District BAN Repayment Account," (the "BAN Repayment Account"), as more particularly described and upon the further terms and conditions of Section 1.06 A hereof.

Section 1.03 A. Security for the BAN. The BAN shall be secured by the pledge by the Issuer of and by a first lien on (i) the obligation of the Purchaser to make the loan to the Issuer in the amount of $2,200,000 (the "Loan") by purchasing the Bond, (ii) the proceeds of the sale of the Bond when received from the Purchaser, (iii) all moneys and securities in the BAN Repayment Account, (iv) the proceeds from the sale of the BAN until expended as herein authorized, (v) the proceeds of sale of the BAN refunding notes, if any, and (vi) the Net Revenues of the System until payment of the BAN, and said pledge by the District for the benefit of the

holders of the BAN, to the extent of the aggregate principal amount of the BAN and the interest thereon, is hereby made and granted. The Issuer will execute such financing statements, security agreements and other documents that may be required to perfect such pledge and lien. The Trustee shall act as agent for the holders of the BAN in connection with the execution of all financing statements and other instruments necessary under applicable laws in order to fully perfect the interests of the holders of the BAN in the assets pledged hereby, and to receive all notices and respond to all inquiries in connection therewith. The BAN shall also be secured by a statutory mortgage lien on the System as provided in the Act.

Section 1.04 A. Payment of BAN. The Issuer will immediately deposit with the Trustee all proceeds from the sale of the Bond and of any refunding BAN to pay the BAN, to be placed by the Trustee directly into the BAN Repayment Account held by the Trustee. Upon maturity of the BAN, the Trustee will pay to the Paying Agents all principal and interest owing on the BAN.

Section 1.05 A. BAN Are Limited Obligations. The BAN shall be limited obligations of the Issuer, the interest of which is payable solely from certain of the proceeds from the sale of the BAN, the principal of which is payable from the sources described in Section 1.03 A above, or, the principal of and interest on which are payable from the net revenues of the Issuer arising from ownership and operation of the System in the event that the Purchaser shall not purchase the Bond in accordance with its agreement to do so.

Section 1.06 A. Trustee; BAN Repayment Account. The Trustee shall segregate all funds and securities in the BAN Repayment Account separate and apart from other deposits and funds of the Trustee and other deposits and funds of the Issuer, including the Project Construction Account. All moneys in the BAN Repayment Account, until payment in full of all principal and interest owing on the BAN at maturity, shall be held by the Trustee for the holders of the BAN, and the District shall have no rights with respect thereto. All moneys in the BAN Repayment Account in excess of the amount insured by FDIC shall be continuously secured by, or invested by the Trustee in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America ("Federal Obligations") which Federal Obligations shall mature at least 1 day prior to need for the funds for payment of interest on or principal of the BAN. At or prior to any interest payment date and the maturity of the BAN, the Trustee shall transfer to the Paying Agents in immediately available funds the amount of interest or principal and interest owing on the BAN. Upon such transfer the Trustee shall pay to the Issuer any excess amounts remaining in the BAN Repayment Account, and the Issuer shall deposit any such amounts in the Project Construction Account. The Trustee is hereby authorized, upon payment of all principal and interest owing on the BAN, to execute UCC termination statements indicating the termination of the security interest of the holders of the BAN in the assets referred to in Section 1.03 A hereof.

The Issuer shall pay to the Trustee from time to time reasonable compensation for all services rendered by the Trustee under the Bond Legislation and all reasonable expenses, charges, counsel fees and other disbursements incurred by the Trustee in connection

with its performance of its functions hereunder. The Issuer shall from time to time have the right to appoint a successor Trustee provided that such successor Trustee be a bank or trust company or national banking association insured by the FDIC. The Trustee shall signify its acceptance of the duties and obligations hereby imposed by executing and delivering to the Issuer a written acceptance thereof.

Section 1.07 A. Paying Agents. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. The Issuer may appoint as successor Paying Agent any bank, trust company or national banking association. The Underwriters shall pay to each Paying Agent from time to time reasonable compensation for all services rendered hereunder and all reasonable expenses, charges, counsel fees, and other disbursements incurred in connection with the performance of its obligations hereunder.

Section 1.08 A. Covenants. The Issuer agrees that until payment in full of the principal and interest owing on the BAN when due, the covenants contained in Article IV for the benefit of the Purchaser shall inure to the benefit of the holders of the BAN.

In addition, the Issuer covenants to issue and sell the Bond to the Purchaser not later than one business day before the maturity of the BAN and to take all actions necessary to cause the Purchaser to purchase the Bond on or before such date, payment for the Bond to be in Federal funds available on date of the Bond delivery.

Section 1.09 A. Refunding BAN. The Issuer covenants that in the event the Bond is not issued and sold not later than one day prior to the due date of the BAN, it will use its best efforts to sell one or more series of its Bond Anticipation Refunding Notes hereunder in such aggregate amount as shall be necessary to pay the principal of the BAN, accrued interest thereon to maturity and the expense of issuing the Bond Anticipation Refunding Notes. The proceeds of the Bond Anticipation Refunding Notes, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the BAN Repayment Account and used solely for the payment of the principal of and accrued interest on the BAN.

All Bond Anticipation Refunding Notes shall be in substantially the same form as the BAN, but shall be of such denominations, bear such dates, bear interest at such rates, have such maturity dates and contain an appropriate series designation, all as shall be provided in the supplemental Bond Legislation authorizing such Bond Anticipation Refunding Notes.

Section 1.10 A. Events of Default and Enforcement. Each of the following events is hereby declared an "Event of Default": (a) failure to make timely payment of all principal and interest owing on the BAN at due date or maturity; and (b) failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer for the benefit of the holders of the BAN as hereinabove provided.

On the happening of any Event of Default, then, and in each such case, the holders of the BAN or any one or more of such holders shall be entitled to proceed against all assets pledged for payment of the BAN, and shall have and are hereby given all further rights and remedies as are granted hereby to the Purchaser. Each holder of a BAN shall be deemed to be a holder of the Bond upon such default.

In the event that the BAN are not paid when due, the interest rate on the BAN after maturity until payment thereof in full shall be 8% per annum, and the Issuer will pay the holders of the BAN not paid when due the principal amount of the BAN together with interest at the rate shown on the BAN from the date of the BAN until the due date thereof, and plus interest on the principal of the BAN at the rate of 8% per annum from the due date of the BAN until payment thereof in full.

Section 1.11 A. Defeasance of BAN. Upon deposit by the Issuer with the Trustee of moneys sufficient to pay the BAN at maturity or of Federal Obligations, the principal of and interest on which will be sufficient to pay the BAN at maturity, the BAN shall be considered to have been paid in full pursuant hereto except at provided below, and the lien and pledge hereby granted shall be deemed to be and shall be cancelled and discharged; and the holders of the BAN shall, upon such deposit, be entitled to payment of the BAN and the interest thereon at maturity solely from the moneys and securities then on deposit with the Trustee. All moneys and all securities deposited in accordance with the provisions of this Section shall at all times be under the exclusive control of the Trustee, shall be held by it for the sole benefit of the holders of the BAN, and shall be applied solely to the payment of the BAN except as expressly provided in this Section; and the Issuer shall have no rights or powers with respect to nor any interest in such moneys or securities or any part thereof. All moneys and securities remaining on deposit with the Trustee at the close of business on the earlier of (A) the expiration of six months after the latest maturity date of the BAN issued hereunder or (B) the date on which all BAN have been paid in full, shall be released to the Issuer upon its written request and the Trustee shall have no further obligation in respect of the payment of such BAN and thereafter the holder of any BAN shall look to the Issuer for payment.

Section 1.12 A. Supplemental Bond Legislation. Following adoption hereof, and upon receipt of the Purchase Agreement referred to in Section 1.01 A, the Issuer, if it be so advised, will adopt Supplemental Bond Legislation, which Supplemental Bond Legislation will provide, among other things, award of the BAN, the interest rate or rates on the BAN, the interest payment dates, the maturity date and the sale price of the BAN and such other matters as shall be required or desired in connection with issuance of the BAN.

Section 1.13 A. Form of BAN. The BAN shall be in the following form, subject to such changes, insertions and deletions as the Chairman shall agree to by execution of the BAN:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TEAYS VALLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM BOND ANTICIPATION NOTE
SERIES 1979

No. $25,000

TEAYS VALLEY PUBLIC SERVICE DISTRICT, a public service district in Putnam County of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay to bearer upon presentation and surrender hereof the sum of TWENTY-FIVE THOUSAND, DOLLARS ($25,000), without option of prior redemption, on September 15, 1980, with interest at the rate of _____ per cent (%) per year payable at maturity. Both principal and interest are payable in lawful money of the United States of America at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder, at The Chase Manhattan Bank, N. A., New York, New York.

This Note is one of a series of Notes in the aggregate principal amount of $2,200,000 duly authorized by the Issuer and issued in anticipation of the issuance of the Sewer Revenue Bond, Series 1979 (the "Bond"), of the Issuer in the principal sum of $2,200,000 for aiding in the construction of a new public sewerage system (the "System") of the Issuer.

Farmers Home Administration of the United States Department of Agriculture has agreed to purchase the Bond at least one day prior to the due date of the issue of Notes of which this Note is one.

The principal of this Note, and of the issue of Notes of which this Note is one, is payable solely, equally, ratably, and only from the proceeds of sale of the Bond and certain proceeds, if any, from the sale of refunding notes, and, if Farmers Home Administration should not purchase the Bond as agreed, from the net revenues of the System defined in the Resolution mentioned below. The proceeds of sale of the Bond and certain proceeds, if any, from the sale of the refunding notes have been pledged to the Noteholders to secure payment of the principal of the Notes.

Moneys from the proceeds of sale of the Notes to pay the interest on the Notes have been deposited with said The Charleston National Bank, as Trustee.

The Notes of the issue of which this Note is one are limited and special obligations of the Issuer, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitations or provisions, and the Issuer shall not be obligated to pay this Note and the Notes of the issue of which this Note is one or the interest thereon except from the proceeds of the Notes and the Bond and certain proceeds from the sale of refunding notes and any other sources which may be provided by the Resolution authorizing issuance of the Notes and the Bond.

The Notes of the issue of which this Note is one have been duly authorized by a Resolution and a Supplemental Resolution of the Issuer pursuant to West Virginia Code, Chapter 16, Article 13A (the "Act").

The Act provides that the Notes of the issue of which this Note is one are exempt as to principal and interest from taxation by the State of West Virginia and the other taxing bodies of said State.

The Notes of the issue of which this Note is one further secured by the Trust Agreement referred to in said Resolution, between the Issuer and said Trustee, to which said Trust Agreement, Resolution and Supplemental Resolution reference is made for further description of the security for payment hereof, the rights of the holders of the Notes and the rights and obligations of the Issuer and the Trustee.

Every requirement of law relating to the issuance hereof has been duly complied with.

IN WITNESS WHEREOF, TEAYS VALLEY PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and has caused its seal to be hereto affixed and attested by the Secretary of said Public Service Board, all as of the date below written.

Dated: June 19, 1980.

TEAYS VALLEY PUBLIC SERVICE DISTRICT

[SEAL]

By_____
Chairman

ATTEST:

_____
Secretary

ARTICLE I B

GRANT ANTICIPATION NOTES AND GRANT PROCEEDS

Section 1.01 B. Authorization and General. In order to pay certain costs of the construction of the Project pending the receipt by the Issuer of grant funds from Environmental Protection Agency and Appalachian Regional Commission (collectively called "EPA"), Grant Anticipation Notes (GAN) of the Issuer shall be issued and sold in the aggregate principal amount of $4,550,000.

Each GAN shall be designated Sewerage System Grant Anticipation Note, Series 1979, shall be dated on the date of delivery thereof, shall be such denominations, shall be in negotiable, bearer form, shall bear interest from the date of delivery at the rate provided in the GAN Supplemental Bond Legislation hereinafter described, interest to be represented by coupons payable December 19, 1979, and June 19 and December 19, 1980, the GAN to mature not more than thirty months from such date of delivery, shall be numbered from one upward, may be payable at a New York City Bank if named in the GAN Supplemental Bond Legislation and at the principal office of the Trustee named below, as Paying Agents, at the option of the holder, and shall contain the provisions shown in the form of GAN set forth in Section 1.13 B below, substantially as therein set forth.

The GAN shall be executed for the Issuer by the Chairman, and the seal of the Issuer shall be affixed or imprinted thereon and attested by the signature of the Secretary. The interest coupons shall be signed by the facsimile signature of the Chairman.

The GAN shall be sold pursuant to a Purchase Agreement to be entered into between the Issuer and the Underwriters (the "Purchase Agreement") and shall be sold at the price to be provided in the GAN Supplemental Bond Legislation described in Section 1.12 B.

The GAN shall be subject to redemption prior to maturity as provided in the GAN Supplemental Bond Legislation.

Section 1.02 B. Deposit of GAN Proceeds. A portion of the proceeds received from the sale of the GAN to be specified in the Purchase Agreement shall be deposited on receipt by the District with the Trustee, in the Project Construction Account established by Section 3.01 hereof; provided, that the Issuer may designate any other bank in West Virginia as Trustee if the above-named Trustee should refuse or be unable to serve.

The balance of the proceeds from the sale of the GAN remaining after the deposit in the Project Construction Account provided above shall be directly deposited on receipt by the Issuer with the Trustee in a special segregated account designated as "Teays Valley Public Service District GAN Repayment Account," (the "GAN Repayment Account") as more particularly described in and upon the further terms and conditions of Section 1.06 B below.

Section 1.03 B. Security for the GAN. The GAN shall be secured by the pledge by the Issuer of and by a first lien on (i)

the grant moneys, except the first moneys received by or for the Issuer to an aggregate sum of $2,690,720, pursuant to the commitment of EPA to make the grant to the Issuer in the amount of $6,885,750 and the commitment of Appalachian Regional Commission to make a grant to the Issuer in the amount of $354,970 (both grants herein collectively called the "EPA Grant"), (ii) all moneys and securities in the GAN Repayment Account, (iii) the proceeds of sale of the GAN refunding notes, if any, and (iv) all GAN proceeds and investment earnings thereon in the Project Construction Account until expended in accordance with the Trust Agreement and (v) any other funds arising from grants or gifts lawfully available for the purpose, and said pledge by the Issuer for the benefit of the holders of the GAN to the extent of the aggregate principal amount of the GAN and the interest thereon, is hereby made and granted. The Issuer will execute such financing statements, security agreements and other documents that may be required to perfect such pledge and lien. The Trustee shall act as agent for the holders of the GAN in connection with the execution of all Financing Statements and other instruments necessary under applicable laws in order to fully perfect the interests of the holders of the GAN in the assets pledged hereby, and to receive all notices and respond to all inquiries in connection therewith.

Section 1.04 B. Payment of GAN; Grant Proceeds. The Issuer will immediately, upon receipt, deposit with the Trustee all proceeds of the EPA Grant received by the Issuer in excess of the sum of $2,690,720, and the net proceeds of any GAN refunding notes to be applied to the payment of the GAN pursuant to Section 1.08 B hereof, to be placed by the Trustee directly into the GAN Repayment Account held by the Trustee. Upon maturity or redemption of the GAN, the Trustee will pay to the Paying Agents all principal and interest then due on the GAN and the charges of the Trustee and the Paying Agents.

Section 1.05 B. GAN Are Limited Obligations. The GAN shall be limited obligations of the Issuer, the interest of which is payable solely from certain of the proceeds from the sale of the GAN, the principal of which is payable from the sources described in Section 1.03 B above.

Section 1.06 B. Trustee; GAN Repayment Account. The Trustee shall segregate all funds and securities in the GAN Repayment Account separate and apart from other deposits and funds of the Trustee and other deposits and funds of the Issuer, including the Project Construction Account. All moneys in the GAN Repayment Account, until payment in full of all principal and interest owing on the GAN at their maturity, shall be held by the Trustee for the holders of the GAN, and the Issuer shall have no rights with respect thereto except to receive the balance therein after payment of the GAN and the interest thereon and the charges of the Trustee. All moneys in the GAN Repayment Account in excess of the amount insured by FDIC shall be continuously secured by, or invested by the Trustee in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America ("Federal Obligations") which Federal Obligations shall mature at least 1 day prior to the maturity of the GAN. At or prior to the maturity or any redemption date of the GAN, the Trustee shall transfer to the Paying Agents in immediately available funds the total principal of and interest then owing on the GAN. The Trustee

is hereby authorized, upon such payment of all principal and interest owing on the GAN, to execute UCC termination statements indicating the termination of the security interest of the holders of the GAN in the assets referred to in Section 1.03 B above.

The Issuer shall pay to the Trustee from time to time reasonable compensation for all services rendered by the Trustee hereunder and all reasonable expenses, charges, counsel fees and other disbursements incurred by the Trustee in connection with its performance of its functions hereunder. The Issuer shall from time to time have the right to appoint a successor Trustee provided that such successor Trustee be a bank or trust company or national banking association having corporate trust powers and insured by the FDIC. The Trustee shall signify its acceptance of the duties and obligations imposed hereby by executing and delivering to the Issuer a written acceptance thereof.

Section 1.07 B. Paying Agents. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. The Issuer may appoint as successor Paying Agent any bank, trust company or national banking association. The Underwriters shall pay to any Paying Agent in New York City from time to time reasonable compensation for all services rendered hereunder and all reasonable expenses, charges, counsel fees, and other disbursements incurred in connection with the performance of its obligations hereunder.

Section 1.08 B. Covenants. The Issuer covenants and agrees that, until payment in full of the principal and interest owing on the GAN at maturity, it will meet, abide by and comply with all conditions, terms and duties imposed upon the Issuer in connection with the EPA Grant to the end that the Issuer will at all times be fully entitled to receive the entire amount of the EPA Grant without delay.

The Issuer covenants to take all actions necessary to cause EPA to pay to it the amount of the EPA Grant, or portion thereof, required to pay the GAN not later than the day before the maturity of the GAN unless the Issuer shall have issued Grant Anticipation Refunding Notes pursuant to Section 1.09 B.

The Issuer covenants that upon receipt of all proceeds of the EPA Grant, it will disburse such proceeds in such manner as to provide for the defeasance of the GAN in accordance with the terms of Section 1.11 B hereof.

Section 1.09 B. Grant Anticipation Refunding Notes. The Issuer covenants that in the event the proceeds of the EPA Grant in a sum sufficient to pay the GAN should not be received in time to pay the GAN at maturity, it will use its best efforts to sell one or more series of its Grant Anticipation Refunding Notes hereunder in such aggregate amount as shall be necessary to pay the principal of the GAN, accrued interest thereon to maturity and the expense of issuing such Grant Anticipation Refunding Notes. The proceeds of the Grant Anticipation Refunding Notes, after making provision for the payment of the expenses of issuance thereof, shall be deposited in the GAN Repayment Account and used solely for the payment of the principal of and accrued interest on the GAN.

All Grant Anticipation Refunding Notes shall be in substantially the same form as the GAN, but shall be of such denominations, bear such dates, bear interest at such rates, have such maturity dates and contain an appropriate series designation, all as shall be provided in the Supplemental Bond Legislation authorizing such Grant Anticipation Refunding Notes.

Section 1.10 B. Events of Default and Enforcement. Each of the following events is hereby declared an "Event of Default": (a) failure to make timely payment of all principal and interest owing on the GAN at maturity; and (b) failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer for the benefit of the holders of the GAN as hereinabove provided.

Upon the happening of an Event of Default, the Issuer will use every legal means to eliminate such Event of Default.

Section 1.11 B. Defeasance of GAN. Upon deposit by the Issuer with the Trustee of moneys sufficient to pay the GAN at maturity, or of Federal Obligations, the principal of and interest on which will be sufficient to pay the GAN at maturity, the GAN shall be considered to have been paid in full pursuant hereto, except as provided below, and the lien and pledge hereby granted shall be deemed to be and shall be cancelled and discharged; and the holders of the GAN shall, upon such deposit, be entitled to payment of the GAN and the interest thereon at maturity solely from the moneys then on deposit with the Trustee. All moneys and all securities deposited in accordance with the provisions of this Section shall at all times be under the exclusive control of the Trustee, shall be held by it for the sole benefit of the holders of the GAN, and shall be applied solely to the payment of GAN except as expressly provided in this Section; and the Issuer shall have no rights or powers with respect to nor any interest in such moneys or securities or any part thereof. All moneys remaining on deposit with the Trustee at the close of business on the earlier of (A) the expiration of six months after the latest maturity date of the GAN issued hereunder or (B) the date on which all GAN have been paid in full, shall be released to the Issuer upon its written request and the Trustee shall have no further obligation in respect of the payment of such GAN, and thereafter the holder of any GAN shall look to the Issuer for payment.

Section 1.12 B. Supplemental Bond Legislation. Following adoption hereof, and upon receipt of the Purchase Agreement referred to in Section 1.01 B, the Issuer, if it be so advised, will adopt Supplemental Bond Legislation approving the Purchase Agreement and ordering the issuance of the GAN pursuant hereto and to the Supplemental Bond Legislation, which Supplemental Bond Legislation will provide, among other things, the interest rate or rates on the GAN, the interest payment dates, the maturity date and the sale price of the GAN and such other matters as shall be required or desired in connection with issuance of the GAN.

Section 1.13 B. Form of GAN. The GAN shall be in the following form, subject to such changes, insertions and deletions as the Chairman shall agree to by execution of the GAN:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TEAYS VALLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM GRANT ANTICIPATION NOTE
SERIES 1979

No. $25,000

TEAYS VALLEY PUBLIC SERVICE DISTRICT, a public service district in Putnam County of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay to bearer upon presentation and surrender hereof the sum of TWENTY-FIVE THOUSAND DOLLARS ($25,000) with option of prior redemption, on December 19, 1980, with interest at the rate of _____ per cent (%) per year payable in lawful money of the United States of America at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder, at The Chase Manhattan Bank, N.A., New York, New York.

Interest hereon shall be paid December 19, 1979, June 19, 1980, and December 19, 1980, but only upon surrender of the attached interest coupons as they severally become due, subject to prior redemption hereof.

This Note is one of a series of Notes in the aggregate principal amount of $4,550,000 duly authorized by the Issuer and issued in anticipation of the receipt by the Issuer from the United States Environmental Protection Agency ("EPA") as disbursing agent for a grant by it in aid of construction of a new public sewerage system (the "System") of the Issuer, which grant has been committed in the sum of $6,885,750 and for a grant for the same purpose by Appalachian Regional Commission in the sum of $354,970 (both said grants herein collectively called the "Grant").

The principal of this Note, and of the issue of Notes of which this Note is one, is payable solely, equally, ratably, and only from the proceeds of the Grant, except the first $2,690,720 thereof received by the Issuer and certain proceeds, if any, from the sale of refunding notes. The proceeds of the Grant except said first $2,690,720 thereof received by the Issuer, and certain proceeds, if any, from the sale of refunding notes have been pledged to the Noteholders to secure payment of the principal of the Notes.

Moneys from the proceeds of sale of the Notes to pay the interest on the Notes have been deposited with said The Charleston National Bank, as Trustee.

The Notes of the issue of which this Note is one are limited and special obligations of the Issuer, and do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitations or provisions, and the Issuer shall not be obligated to pay this Note and the Notes of the issue of which this Note is one or the interest thereon except from the proceeds of the Grant except the first $2,690,720 thereof, received by the Issuer and certain proceeds from the sale of refunding notes and, with respect to interest hereon, certain of the proceeds of the Notes.

The Notes of the issue of which this Note is one have been duly authorized by a Resolution and a Supplemental Resolution of the Issuer pursuant to West Virginia Code, Chapter 16, Article 13A.

The Notes of the issue of which this Note is one are subject to mandatory redemption prior to maturity, in whole or in part, but if in part, by selection by lot by the Trustee, at a redemption price of the principal amount of the Notes to be redeemed and accrued interest to the date of redemption without premium, and shall be redeemed by the Issuer on June 19, 1980, to the extent that funds shall be available therefor.

Thirty days prior to June 19, 1980, the Trustee is required to make a determination of the amount of funds which are available for redemption of Notes. Immediately following such determination, the Trustee is required to select the Notes to be redeemed, if any. Notice of any such redemption shall be given by the Trustee by publication in a newspaper or financial journal of general circulation published and circulated in the City of New York, New York, not less than twenty days prior to the date fixed for redemption, stating the redemption price, the numbers of the Notes to be redeemed and the place or places where the payment of the redemption price will be made.

On the specified redemption date, provided that the Trustee shall have sufficient moneys for payment of the redemption price, all Notes so called for redemption shall cease to bear interest, the interest coupons appertaining thereto maturing after such date shall be void, such Notes shall no longer be secured by the Trust Agreement or otherwise, and such Notes and any coupons appertaining thereto shall no longer be considered as outstanding under the Trust Agreement.

Every requirement of law relating to the issuance hereof has been duly complied with.

IN WITNESS WHEREOF, TEAYS VALLEY PUBLIC SERVICE DISTRICT has caused this Note to be signed by the Chairman of its Public Service Board and has caused its seal to be hereto affixed and attested by the Secretary of said Public Service Board, all as of the date below written.

Dated: June 19, 1979.

TEAYS VALLEY PUBLIC SERVICE DISTRICT

[SEAL]

By _____
Chairman

ATTEST:

_____
Secretary

FORM OF COUPON

ON _____

19___

(unless the note mentioned below be sooner redeemed or its redemption be provided for),

TEAYS VALLEY PUBLIC SERVICE DISTRICT $_____

will pay to the bearer, but solely from the sources pledged therefor, all as described in the Sewerage System Grant Anticipation Note, Series 1979, hereinafter mentioned, and upon presentation and surrender of this coupon at the principal office of The Charleston National Bank, Charleston, West Virginia, or at the option of the holder at the principal office of The Chase Manhattan Bank, N.A., New York, New York, the amount shown hereon in lawful money of the United States of America as provided in and being interest then due on its Sewerage System Grant Anticipation Note, Series 1979, dated June 19, 1979, NUMBERED _____

NO._____

TEAYS VALLEY PUBLIC SERVICE DISTRICT

(Facsimile signature of B. M. HOFFMAN)
Chairman

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BOND

Section 2.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as "Sewer Revenue Bond, Series 1979," is hereby authorized to be issued in the aggregate principal amount of not exceeding Two Million Two Hundred Thousand Dollars ($2,200,000) for the purpose of financing a portion of the cost of the construction and acquisition of the Project.

Section 2.02. Description of Bond. The Bond shall be issued in single form, No. 1, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at the rate of five per centum (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. 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 2.04. Bond Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or list, 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 ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be cancelled 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 2.05. Bond and BAN Secured by Pledge of Revenues. The payment of the debt service of the Bond and the BAN 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 the BAN, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond and the BAN as the same become due.

Section 2.06. 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)

SEWER REVENUE BOND, SERIES 1979

TEAYS VALLEY PUBLIC SERVICE DISTRICT

$2,200,000

No. 1 Date: _____

FOR VALUE RECEIVED, TEAYS VALLEY PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Two Million Two Hundred Thousand Dollars ($2,200,000), plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and $10,802, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or,

except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annutal 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 a new sewerage 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.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farmers

Home 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.

TEAYS VALLEY PUBLIC SERVICE DISTRICT
(Name of Borrower)

[CORPORATE SEAL]

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

Post Office Box 147
(P.O. Box No. or Street Address)

Scott Depot, West Virginia 25560
(City, State and Zip Code)

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(1)	$		(6)	$	
(2)	$		(7)	$	
(3)	$		(8)	$	
(4)	$		(9)	$	
(5)	$		(10)	$	

TOTAL $_____

ASSIGNMENT

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

_____
(Title)

ARTICLE III

NOTE PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 3.01. Notes Proceeds; Project Construction Account. The proceeds of sale of the Notes, less the respective sums representing interest on the Notes to the respective maturities thereof, shall be deposited on receipt by the Issuer in The Charleston National Bank, Charleston, West Virginia, a member of Federal Deposit Insurance Corporation (the "FDIC"), in a special account hereby created and designated as "Teays Valley Public Service District 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.

Until completion of construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the fifteenth day of each month, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the Issuer may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

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 Sewer 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) Sewer 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 "Sewer

Revenue Fund" is hereby established initially with The Teays Valley National Bank. The Sewer 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 Sewer 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 Sewer Revenue Fund all current Operating Expenses.

(2) The Issuer shall next, by the fifteenth day of each month, transfer from the Sewer 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, by the fifteenth day of each month, transfer from the Sewer Revenue Fund and deposit with the said Bank in the Sewer Reserve Fund hereby initially established with said Bank, 1/12 of 1/10 of the amount of principal and interest becoming due on the Bond in any year until the amount in the Sewer Reserve Fund equals the sum of $130,000, such sum being herein called the "Minimum Reserve." After the Minimum Reserve has been accumulated in the Sewer Reserve Fund, the Issuer shall monthly deposit into the Sewer Reserve Fund such part of the moneys remaining in the Sewer 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 Sewer Reserve Fund. Moneys in the Sewer Reserve Fund 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, by the fifteenth day of each month, transfer from the Sewer Revenue Fund and deposit in the Sewer Depreciation Reserve, hereby initially established with said Bank, the moneys remaining in the Sewer Revenue Fund and not permitted to be retained therein, until there has been accumulated in the Sewer Depreciation Reserve the aggregate sum of $200,000 and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Sewer Depreciation Reserve 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 Sewer Reserve Fund any sum or sums transferred therefrom. Thereafter, and provided that payments into the Sewer Reserve Fund are current and in accordance with the foregoing provisions, moneys in the Sewer Depreciation Reserve may be withdrawn by the Issuer and used for capital improvements extraordinary repairs and replacements of equipment and improvements for the System, or any part thereof.

(5) After all the foregoing provisions for use of moneys in the Sewer Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Bond or for any lawful purpose.

Whenever the moneys in the Sewer Reserve Fund 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 Sewer Reserve Fund and the Sewer Depreciation Reserve as herein provided, and all amounts required therefor will be deposited therein by the Issuer upon transfers of funds from the Sewer 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 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 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 hereianbove 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 shall keep the moneys in the Sewer Reserve Fund and the Sewer Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years. Earnings upon moneys in the Sewer Reserve Fund, so long as the Minimum Reserve is on deposit and maintained therein, shall be paid annually in January into the Sewer Revenue Fund by the Fiscal Agent.

(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, provide evidence that there will be 1,200 bona fide users initially upon the System, and must obtain user agreements and a $25 tap fee from each [redacted] user and deposit in the Sewer Project Construction Account all such tap fees collected.

ARTICLE IV

GENERAL COVENANTS

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 Sewer Reserve 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 to make the payments required herein into the Sewer Reserve Fund and the Sewer 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. No additional parity bonds 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 actual cost 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) Workmen'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.

(e) Fidelity Bonds will be provided as to every member of the Board and as to every officer and employee thereof having custody of the Sewer Revenue Fund or of any revenues or other funds of the District 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 $25,000 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 holders of the Bond and the BAN, 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 BAN.

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 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 thirty 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 year next 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 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. 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.

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. Concerning Arbitrage. The proceeds of sale of the BAN and the Bond will not be invested in such a way as to violate the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(c) of the Internal Revenue Code of 1954, as amended.

ARTICLE V

RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules. A. The schedule of rates and charges for the services and facilities of the System shall be as follows, subject to change consonant with the provisions hereof:

RATES

SCHEDULE NO. 1

Applicability

Applicable inside and outside of the boundaries of the applicant District.

Availability

Available for metered domestic, commercial, and industrial sewer service, except unusual industrial waste.

Rate

Each 1,000 gallons used per month	$3.95 per 1,000 gallons
Minimum Bill	$7.90 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.

Multiple Occupancy

On apartment buildings, or other multiple occupancy buildings, including trailer courts (mobile or immobile), each family or business unit shall be required to pay not less than the minimum monthly charge herein established. Motels and hotels shall pay according to the amount of water used.

SCHEDULE NO. 2

Applicability

Applicable inside and outside the boundaries of the District.

Availability of Service

Available for sanitary sewer service to unmetered water users and users who obtain water from wells.

Flat Rate	$11.85 per month

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount thereof. This delayed penalty is not interest and is to be collected only once for each bill where it is appropriate.

SCHEDULE NO. 3

Applicability

Applicable inside and outside the boundaries of the District.

Service Connection Fee (A) - $25.00.

To apply to all users who apply for service before sewer line is completed adjacent to applicant's premises. After contractor passes said premises, Service Connection Fee (B) would be applicable.

Service Connection Fee (B) - $150.00.

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

SCHEDULE NO. 4

SURCHARGE FORMULA TO BE APPLIED IN THE CASES OF USERS PRODUCING UNUSUAL WASTE

The charge for the treatment of unusual waste will be calculated on the basis of the following formula:

$$Ci = VoVi+BoBi+SoSi$$

Ci = charge to unusual users per year

Vo = average unit cost of transport and treatment chargeable to volume, in dollars per gallon

Vi = volume of waste water from unusual users, in gallons per year

Bo = average unit cost of treatment, chargeable to Biochemical Oxygen Demand (BOD), in dollars per pound

Bi = weight of BOD from unusual users, in pounds per year

So = average unit costs of treatment (including slude treatment) chargeable to total solids, in dollars per pound

Si = weight of total solids from unusual users, in pounds per year

When an unusual user is to be served, a preliminary study of its wastes, and the cost of transport and treatment thereof, will be made. Waste containing materials which, in the judgment of the Teays Valley Public Service District, should not be introduced into the sewer system need not be handled by it. The results of this preliminary study will be used to determine the feasibility of the proposed sewer service and the charge therefor, based upon the formula set out above.

Thereafter, unusual sewage will be monitored on a regular basis and at the conclusion of each fiscal year, based on the investigation aforesaid and audit of the Teays Valley Public Service District records, new cost figures will be calculated for use in the above formula. The cost of establishing the monitoring facilities shall be paid by the unusual user. Based on these audited figures, additional billings covering the past fiscal year will be made for payment by each unusual user, or refund given by the Teays Valley Public Service District, as the case may be. Such audited figures will then be used for the preliminary billing for the next fiscal year, at the end of which an adjustment will be made as aforesaid.

SCHEDULE NO. 5

APPLICABLE INSIDE AND OUTSIDE OF THE CORPORATE LIMITS OF THE TEAYS VALLEY PUBLIC SERVICE DISTRICT

Where the amount of sanitary sewage discharged into the Teays Valley waste treatment system by certain industrial plant or plants cannot be accurately determined by the use of the plant's water meter or meters, and said plant cannot install a flow meter to measure such waste, a special formula will be used whereby such plant or plants will pay to the Teays Valley Public Service District a sewer charge calculated at fifty (50) gallons of water per each employee at the plant each working day.

TEAYS VALLEY PUBLIC SERVICE DISTRICT
SEWER

BALANCE SHEET - STATEMENT OF RECEIPTS AND DISBURSEMENTS
STATEMENT F

ASSETS	REFERENCE	
Construction Work in Progress	B-4	$324,254
Bank Accounts - May 15, 1978:		
Eligible		50,458
Ineligible		9,240
TOTAL BANK BALANCE		$ 59,698
TOTAL ASSETS		$383,952
LIABILITIES AND EQUITY		
Water Development Authority - 1% Loan		$115,235
Contributions in Aid of Construction	B-10	268,717
TOTAL LIABILITIES & EQUITY		$383,952

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

B. 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 taxaes, as provided in the Act. When such fees, rates and charges have been delinquent for thirty days, the Issuer shall have power pursuant to the Act forthwith to foreclose the lien on the premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

C. 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.

D. 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.

E. 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. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such a Financing Statement in the offices of the Secretary of State of West Virginia and of the Clerk of the County Commission of said County.

Section 6.02. Delivery of Bond No. 1. The Chairman, Secretary and Treasurer of the Governing Body are hereby authorized and directed to cause Bond No. 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 Provision. 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 separable 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 June 19, 1979.

Chairman of Public Service Board

Member

Member

(APPENDIX A ATTACHED)

EAST KANAWHA PUBLIC SERVICE DISTRICT

$605,000 Sewer Revenue Bonds,
Series 1975

BOND RESOLUTION

Table of Contents

Subject		Page
ARTICLE I - STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS		
Section 1.01.	Authority for this Resolution	1
Section 1.02.	Findings and Determinations	1
Section 1.03.	Resolution to Constitute Contract	3
Section 1.04.	Definitions	3
Section 1.05.	Use of Sewer Facilities Mandatory	5
ARTICLE II - AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND		
Section 2.01.	Authorization of Bond	7
Section 2.02.	Description of Bond	7
Section 2.03.	Execution of Bond	7
Section 2.04.	Bond Mutilated, Destroyed, Stolen or Lost	7
Section 2.05.	Bond Secured by Pledge of Revenues	8
Section 2.06.	Form of Bond	8
Form of Bond		9
Record of Advances		13
ARTICLE III - BOND PROCEEDS; REVENUES AND APPLICATION THEREOF		
Section 3.01.	Bond Proceeds; Project Construction Account	14
Section 3.02.	Covenants of the District as to Revenues and Funds	15
ARTICLE IV - GENERAL COVENANTS		
Section 4.01.	General Statement	18
Section 4.02.	Rates	18
Section 4.03.	Sale of the System	18
Section 4.04.	Issuance of Additional Parity Bonds	18
Section 4.05.	Insurance and Bonds	18
Section 4.06.	Statutory Mortgage	20
Section 4.07.	Events of Default	20
Section 4.08.	Enforcement	21
Section 4.09.	Fiscal Year; Budget	21
Section 4.10.	Compensation of Board Members	22
Section 4.11.	Covenant to Proceed and Complete	22
Section 4.12.	Books and Records	22
Section 4.13.	Maintenance of System	23
Section 4.14.	No Competition	23
Section 4.15.	Concerning Arbitrage	23

ARTICLE V - RATES, ETC.

Section 5.01. Initial Schedule of Rates and Charges; Rules 24

ARTICLE VI - MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code 27
Section 6.02. Modification or Amendment 27
Section 6.03. Award of Bond 27
Section 6.04. Severability of Invalid Provision 27
Section 6.05. Conflicting Provisions Repealed 27
Section 6.06. Table of Contents and Headings 27
Section 6.07. Effective Time 28

EAST KANAWHA PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ISSUANCE OF $605,000 SEWER REVENUE BOND, SERIES 1975, OF EAST KANAWHA PUBLIC SERVICE DISTRICT TO FINANCE PART OF THE COSTS OF CONSTRUCTION OF A SEWER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR FIXING AND COLLECTING RATES AND CHARGES FOR THE SERVICES OF THE SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND; MAKING CONNECTION MANDATORY; AND PROVIDING WHEN THIS RESOLUTION SHALL TAKE EFFECT.

BE IT RESOLVED AND ORDERED BY THE PUBLIC SERVICE BOARD OF EAST KANAWHA PUBLIC SERVICE DISTRICT:

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 and other applicable provisions of law. East Kanawha Public Service District is a public service district created pursuant to said Article 13A.

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

(A) East Kanawha Public Service District (herein called the "District"), in Putnam County, State of West Virginia, does not now have any public sewer system, and the inhabitants thereof urgently require such system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the District, and, accordingly, it is hereby ordered, that there be constructed and acquired a complete new sewer system of the District consisting of collection and _____ lines, treatment

plant and all necessary appurtenant facilities (hereinafter collectively called the "System"), 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 (herein called the "Board") of the District.

(C) It is necessary for the District to issue its revenue bond in the principal amount of $605,000 to finance part 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 as hereinafter defined is $2,361,590, of which $605,000 will be obtained from the proceeds of sale of the Bond herein authorized, $1,538,390 from a grant to the District by Environmental Protection Agency, a grant from The County Commission of Putnam County in the amount of $70,000, a Water Development Authority grant in the amount of $100,000, and a grant from the said State in the amount of $48,200.

(E) The cost of such acquisition and construction shall be deemed to include, without being limited to, the construction and acquisition of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Bond during and for six months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the acquisition and construction of the Project and the financing authorized by this resolution.

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

(G) There are not outstanding any unpaid obligations of the District which will have priority over or rank on a parity with the Bond authorized to be issued hereunder as to lien or source of and security for payment.

(H) The District has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition

and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the consent and approval, pursuant to the Act, of the issuance of the Bond 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 authorized to be issued hereunder by the Government, this resolution shall be deemed to be and shall constitute a contract between the District and the Government, and the covenants and agreements herein set forth to be performed by the District shall be for the benefit, protection and security of the Government as holder of the Bond.

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

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

"Board" means the Public Service Board of the District, the governing body of the District under the Act.

"Bond" means the $605,000 Sewer Revenue Bond, Series 1975, No. 1, originally authorized to be issued pursuant to this resolution.

"Chairman" means the Chairman of the Board.

"Consulting Engineer" means Appalachian Engineering, Charleston, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the District as Consulting Engineer for the System.

"District" means East Kanawha Public Service District of Putnam County, West Virginia, and, where appropriate, also means the Public Service Board thereof.

"Facilities" or "sewer facilities" means all the facilities of the System and also any facilities which may hereafter be added to the System by any 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.

"Government" means United States Department of Agriculture, Farmers Home Administration, and any governmental successor thereof.

"Herein" means in this resolution.

"Holder of the Bond" or "Bondholder" or any similar term means any person who shall be the owner of the Bond.

"Net Revenues" means the balance of the gross revenues, as defined herein, remaining after deduction only of operating expenses, as defined herein.

"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 District 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 practices, and retention of a sum not to exceed one-sixth 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.

"Project" means the initial System, as described above in Section 1.02(B), to be constructed as herein provided and financed in part with the proceeds of sale of the Bond.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the District, or accrued to the District, 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 Board.

"System" means the complete waterworks of the District, including all sewer facilities owned by the District and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the System; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the acquisition and construction provided for herein.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

Section 1.05. Use of Sewer Facilities Mandatory. The mandatory use of the sewer facilities of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare and the economy of the inhabitants of the District and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the sewer facilities. Accordingly, every owner, tenant and occupant of every lot, parcel and tract of land which abuts on a street, alley or other public way in which any sewer line, main or facility is located, or which is located within a reasonable distance thereof, not exceeding 300 feet, and reasonably accessible thereto, and upon which lot, parcel or tract a building or other habitable structure has been or shall be erected for residential, commercial or industrial use, shall connect the waste or sewage lines of such building or structure with the sewer facilities of the System within thirty days after completion of the Project if sewage will flow by gravity from such building or structure into the sewer facilities of the System, and shall thereupon and thereafter refrain from using and shall cease to use any other method for the disposal of sewage or

water-borne waste matter and shall pay all charges, fees and rates lawfully provided for use of the sewer facilities.

Any such building or structure from which emanates sewage or water-borne waste matter and not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the District and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in the Circuit Court of said County or other court of competent jurisdiction.

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 District, to be known as "Sewer Revenue Bond, Series 1975" is hereby authorized to be issued in the principal amount of not exceeding Six Hundred Five Thousand Dollars ($605,000) for the purpose of financing part of the cost of the construction and acquisition of the Project.

Section 2.02. Description of Bond. The Bond shall be issued in single form, No. 1, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at the rate of five per centum (5%) per annum and shall be sold for the par value thereof.

The Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the District and shall be payable as provided in the Bond form hereinafter set forth.

Section 2.03. Execution of Bond. The Bond shall be executed in the name of the District by the Chairman and the Corporate seal of the District shall be affixed thereto and attested by the Secretary.

Section 2.04. Bond Mutilated, Destroyed, Stolen or Lost. In case the Bond shall become mutilated or be destroyed, stolen or lost, the District may in its discretion issue and deliver a new Bond in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the District proof of his ownership thereof and complying with such other reasonable regulations

and conditions as the District may require. The Bond so surrendered shall be canceled and held for the account of the District.

Section 2.05. Bond Secured by Pledge of Revenues. The payment of the debt service of the Bond shall be secured forthwith equally and ratably by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the 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 2.06. Form of Bond. Subject to the provisions of this resolution, 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 by this resolution or any subsequent resolution adopted prior to the issuance thereof:

(Form of Bond)

SEWER REVENUE BOND

EAST KANAWHA PUBLIC SERVICE DISTRICT

No. 1

$605,000 Date: _____

FOR VALUE RECEIVED, EAST KANAWHA PUBLIC SERVICE DISTRICT (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Six Hundred Five Thousand Dollars ($605,000), plus interest on the unpaid principal balance at the rate of five per centum (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first 24 months after the date hereof, and $ 2,965, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable

by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of a sewer system (herein, with all additions, called 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.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia including, among others, Article 13A of Chapter 16 of the West Virginia Code (herein called the "Act").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the 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 express provisions hereof.

EAST KANAWHA PUBLIC SERVICE DISTRICT
(Name of Borrower)

(Signature of Executive Official)

Chairman, Public Service Board
(Title of Executive Official)

(Post Office Box No. or Street Address)

Hometown, West Virginia 25109
(City, State and Zip Code)

[CORPORATE SEAL]

ATTEST:

(Signature of Attesting Official)

Secretary, Public Service Board
(Title of Attesting Official)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL _____

Pay to the Order of _____

_____

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By _____

_____
(Title)

ARTICLE III

BOND PROCEEDS; REVENUES AND APPLICATION THEREOF

Section 3.01. Bond Proceeds; Project Construction Account. All moneys received from the sale of the Bond and all moneys received under any construction loan or grant, except as may otherwise be provided in this Section, shall be deposited on receipt by the District in Bank of Buffalo, Eleanor, West Virginia, a member of Federal Deposit Insurance Corporation (FDIC) in a special account heretofore created and designated as "East Kanawha Public Service District Sewerage System Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this resolution and in accordance with the provisions of any agreements between the District and lenders providing construction financing for the Project.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and transmit and pay to the National Finance Office, referred to in the Bond, such sums as shall be from time to time required to pay the monthly interest installments on the Bond as herein and in the Bond provided.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all

ARTICLE III

BOND PROCEEDS; REVENUES AND APPLICATION THEREOF

Section 3.01. Bond Proceeds; Project Construction Account. All moneys received from the sale of the Bond and all moneys received under any construction loan or grant, except as may otherwise be provided in this Section, shall be deposited on receipt by the District in Bank of Buffalo, Eleanor, West Virginia, a member of Federal Deposit Insurance Corporation (FDIC) in a special account heretofore created and designated as "East Kanawha Public Service District Sewerage System Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the District solely for the purposes provided in this resolution.

Until completion of construction of the Project, the District will transfer from the Project Construction Account and transmit and pay to the National Finance Office, referred to in the Bond, such sums as shall be from time to time required to pay the monthly interest installments on the Bond as herein and in the Bond provided.

If the District shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the District may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, and when all construction loans with respect to the Project have been repaid in full, including accrued interest, any balance remaining in the Project Construction Account shall first be used to refund promptly any overpayment made with respect to any Federal grant, and any moneys then remaining in the Project Construction Account shall be promptly transferred to and deposited in the Reserve Account and shall be used immediately to the extent feasible to prepay the latest maturing installments on the Bond, and any residue shall be retained in the Reserve Account.

Section 3.02. Covenants of the District 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 Account, hereinafter established, a sum sufficient to pay the entire principal of the Bond remaining unpaid together with interest accrued and to accrue thereon, the District further covenants with the holder of the Bond issued pursuant to this resolution 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 District in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund (herein called the "Revenue Fund") is hereby established initially with the aforesaid Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this resolution.

(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 District shall first each month pay from the moneys in the Revenue Fund all Current Operating Expenses.

(2) The District shall next, before the end of each month, transfer from the Revenue Fund and remit to the National Finance Office

costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall first be used to refund promptly any overpayment made with respect to any Federal grant, and any moneys then remaining in the Project Construction Account shall be promptly transferred to and deposited in the Reserve Account and shall be used immediately to the extent feasible to prepay the latest maturing installments on the Bond, and any residue shall be retained in the Reserve Account.

Section 3.02. Covenants of the District 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 Account, hereinafter established, a sum sufficient to pay the entire principal of the Bond remaining unpaid together with interest accrued and to accrue thereon, the District further covenants with the holder of the Bond issued pursuant to this resolution 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 District in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund (herein called the "Revenue Fund") is hereby established initially with the aforesaid Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this resolution and shall be kept separate and distinct from all other funds of the District and used only for the purposes and in the manner provided in this resolution.

(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 District shall first each month pay from the moneys in the Revenue Fund all Current Operating Expenses.

(2) The District shall next, before the end of each month, transfer from the Revenue Fund and remit to the National Finance Office

as designated in the Bond the amortization payment required by the Bond.

(3) The District shall next, each month, transfer from the Revenue Fund and deposit into the Reserve Account hereby established with said Bank one-twelfth of one-tenth of the maximum annual aggregate amount of interest and principal which will fall due on the Bond until the amount in the Reserve Account equals such maximum annual aggregate amount of interest and principal. After such amount has been accumulated in the Reserve Account, the District shall monthly deposit in the Reserve Account such part of the moneys remaining in the Revenue Fund, after such provision for payment of the monthly amortization installment required, as shall be needed to maintain such amount in the Reserve Account. Moneys in the Reserve Account shall be used solely to make up any deficiency in the funds available to make the required monthly amortization installment payments or for mandatory prepayment of the Bond as hereinafter provided and for no other purpose.

(4) The District shall next, each month, transfer from the Revenue Fund all moneys remaining in the Revenue Fund and not permitted to be retained therein, and deposit such moneys in the Depreciation Reserve, hereby established with the said Bank, until there has been accumulated therein the sum of $50,000 and thereafter such sums as shall be required to maintain such amount therein. Moneys in the Depreciation Reserve shall be used first to restore to the Reserve Account any sum or sums transferred therefrom because of deficiency of revenues to meet monthly amortization installments. Thereafter, and provided that payments into the Reserve Account are current and in accordance with the foregoing provisions, moneys in the Depreciation Reserve may be withdrawn by the District and used for extensions, replacements and improvements of 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

latest amortization installments on the Bond or for any lawful purpose.

Whenever the moneys in the Reserve Account shall be sufficient to prepay the remaining principal of the Bond and interest to the date of prepayment, it shall be the mandatory duty of the District, anything to the contrary in this resolution notwithstanding, to prepay the Bond at the earliest practical date and in accordance with applicable provisions hereof.

All the funds provided for in this Section shall constitute trust funds insofar as the District and the Government are concerned, but the said Bank shall not be a trustee as to such funds. Such funds shall be used only for the purposes and in the order provided herein, and until so used, the Government shall have a lien thereon for further securing payment of the Bond and the interest thereon. The moneys in excess of the sum insured by FDIC in the Revenue Fund, the Reserve Account and the Depreciation Reserve 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 place the required amount in any of the funds or accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to those which would otherwise be required to be made into the funds or accounts on the subsequent payment dates.

The District shall keep the moneys in the Reserve Account and the Depreciation Reserve invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America and having maturities not exceeding two years.

(C) Initial Deposit in Revenue Fund. Prior to issuance of the Bond, the District shall have signed agreements with at least 360 bona fide users.

ARTICLE IV

GENERAL COVENANTS

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 Account a sum sufficient to pay 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 District and the Government.

Section 4.02. Rates. The District 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 to make the payments required herein into the Reserve Account 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 Government 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. No additional parity Bonds payable out of the revenues of the System shall be issued after the issuance of the Bond pursuant to this resolution except with the prior written consent of the Government.

Section 4.05. Insurance and Bonds. The District hereby covenants and agrees that, so long as the Bond remains outstanding, it will, as an expense of operation and maintenance of the System, procure, carry

and maintain 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, on all above-ground structures of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the District will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The District will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the District during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $100,000 for one person and $300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than $100,000 from claims for damage to property of others which may arise from the District's operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the District owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the District is operated for the benefit of the District, with limits of not less than $100,000 for one person and $300,000 for more than one person injured or killed in one accident to protect the District from claims for bodily injury and/or death, and not less than $100,000 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.

(d) Workmen'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, Chapter 38, Article 2, Section 39.

(e) Fidelity Bonds will be provided as to every member of the Board and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the District 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 $10,000 upon the treasurer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned.

(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 District will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the District, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

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 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 District contained in the Bond or in this resolution, or violation of or failure to observe any provision of any pertinent law, provided any such failure or violation, excluding that covered in (A) above in this Section, shall continue for a period of thirty days after written notice shall have been given to the District by the Government specifying such failure or violation and requiring the same to be remedied.

Section 4.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Government 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 Government, such court may, upon proof of such default, appoint a receiver for the affairs of the District and the System. The receiver so appointed shall administer the System on behalf of the District, shall exercise all the rights and powers of the District with respect to its 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 thirty days prior to the beginning of each fiscal year, the District 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 Board. Copies of each Annual Budget shall be delivered to the Government by the beginning of each fiscal year.

If for any reason the District 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 year next 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 District. Each such Budget of Current Expenses shall be mailed immediately to the Government.

Section 4.10. Compensation of Board Members. The District hereby covenants and agrees that no compensation for policy direction shall be paid to the members of its Board in excess of the amount permitted by the Act. Payment of any compensation to any member of the Board 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 of this resolution.

Section 4.11. Covenant to Proceed and Complete. The District hereby covenants to proceed as promptly as possible with the 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 of the Board on the date of adoption of this resolution, subject to permitted changes.

Section 4.12. Books and Records. The District will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and the

Government shall have the right at all reasonable times to inspect the System and all records, accounts and data of the District relating thereto.

The District 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 Government.

Section 4.13. Maintenance of System. The District 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 District 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 District or within the territory served by the System.

Section 4.15. Concerning Arbitrage. It is not reasonably expected that the proceeds of sale of the Bond will be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(d) of the Internal Revenue Code of 1954, as amended.

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 shall be as follows:

AVAILABILITY OF SERVICE

Available for all domestic, commercial, institutional and industrial consumers within the District's service area.

RATES BASED UPON WATER USED PER MONTH

First	2,500 gallons	$ 3.00 per 1000 gallons
Next	3,000 gallons	2.80 per 1000 gallons
Next	25,000 gallons	2.15 per 1000 gallons
All over	30,500 gallons	1.85 per 1000 gallons

MINIMUM CHARGE

No bill shall be rendered for less than $7.50 a month.

For users not on a public water system, a flat rate schedule shall be provided, but the minimum flat rate shall not be less than $7.50.

DELAYED PAYMENT PENALTY

The above rates are net. On all accounts not paid in full within twenty days after date of billing, a penalty of ten per cent will be added to the net amount of the bill.

MULTIPLE OCCUPANCY

Each unit of apartment buildings and other multiple occupancy buildings shall be required to pay not less than the minimum monthly charge herein established. Motels and hotels shall pay on the basis of size of meter installed.

House trailer (mobile and immobile types) courts and parks shall have one sewer tap of adequate size and shall pay $6.00 multiplied by the number of units at the site on the monthly billing date or the minimum charge for the master meter or meters installed, whichever is greater.

House trailers, mobile and immobile, on sites other than a park or court shall be billed as any other family or business unit.

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. When such fees, rates and charges have been delinquent for thirty days, the District shall have power forthwith to foreclose the lien on the premises served in the same manner provided by the laws of the State of West Virginia for the foreclosure of mortgages on real property.

D. The District 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 District 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 District 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. No allowance or adjustment in any bill for use of the service and facilities of the System shall be made for any leakage occurring on the customer's side of any water meter.

G. The District shall not be liable to any customer for any damage resulting from bursting or breakage of any line, main, pipe, valve,

equipment or part or from discontinuance of the operation of any part of the System or from failure of any part thereof for any cause whatsoever.

H. In case of emergency, the District shall have the right to restrict the use of any part of the System in any reasonable manner for the protection of the System and the inhabitants of the District.

I. The fees, rates and charges above provided will be increased whenever such increase is necessary in order to comply fully with all provisions of this resolution and the District shall always be obligated to and shall fix, establish and collect fees, rates and charges for the services and facilities of the System which shall at all times be sufficient to provide net revenues to meet its obligations hereunder, but never less than 110% of the annual amount required to amortize the principal of and interest on the Bond.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, or sooner, the District shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Commission of said County.

Section 6.02. Modification or Amendment. No material modification or amendment of this resolution, or of any resolution amendatory hereof or supplemental hereto, may be made without the prior consent in writing of the Government.

Section 6.03. Award of Bond. The Bond is hereby awarded to the Government.

Section 6.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this resolution 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 separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this resolution or the Bonds or coupons appertaining thereto.

Section 6.05. Conflicting Provisions Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflicts, hereby repealed.

Section 6.06. 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 6.07. Effective Time. This resolution shall take effect immediately upon its adoption.

Adopted October 23, 1975.

L R Matthews
Chairman of Public Service Board

Gilbert D Bayless
Member

William F Kilyore
Member